DOCUMENT RESUME

ED 447 981 RC 022 596

TITLE	The State of the South, 2000.
INSTITUTION	MDC, Inc., Chapel Hill, NC.
SPONS AGENCY	Appalachian Regional Commission, Washington, DC.; Ford Foundation, New York, NY.; John D. and Catherine T. MacArthur Foundation, Chicago, IL.; Employment and Training Administration (DOL), Atlanta, GA. Region 4.; Z. Smith Reynolds Foundation, Inc., Winston-Salem, NC.; Department of Education, Washington, DC.
ISBN	ISBN-0-9651907-3-0
PUB DATE	2000-09-00
NOTE	121p.; Also supported by BellSouth Corporation and GlaxoWellcome. Figures may not reproduce adequately.
AVAILABLE FROM	MDC, Inc., PO Box 17268, Chapel Hill, NC 27516-7268 ($25). Tel: 919-968-4531; Fax: 919-929-8557. Full text at Web site: http://www.mdcinc.org/state_of_the_south_2000.ht m.
PUB TYPE	Numerical/Quantitative Data (110) -- Reports - Evaluative (142)
EDRS PRICE	MF01/PC05 Plus Postage.
DESCRIPTORS	Computer Literacy; Economic Climate; *Economic Development; *Education Work Relationship; Educational Attainment; Educational Needs; *Employment Patterns; Futures (of Society); Information Technology; Lifelong Learning; Migration; *Population Trends; Quality of Life; *Rural Urban Differences; Statistical Data; Trend Analysis
IDENTIFIERS	*Globalization; *United States (South)

ABSTRACT

This report charts the economic changes occurring in the South during the past two decades, presents a status report on where the South is today, and offers an agenda for future development. The South has made great strides, diversifying its economy and improving racial inequities. Several of its cities have successfully engaged the new economy, but the disparity between these cities and areas that still depend on the old economic strategies of the South, especially rural areas, is increasing. Many in the rural South, and many Latinos and Asians migrating into the South, do not have the education for more than low-paying service jobs, so even though job growth is ahead of the rest of the nation, per capita income is less. The introductory chapter describes the impacts of globalization. The second chapter discusses job growth, business mix changes, foreign investment, exports, occupational mix changes, and information technology. Chapter 3 looks at the impacts of global forces on the region, including new-economy cities, rural stress, digital literacy, migration, immigration, aging, and education. Chapter 4 presents an agenda for the future, noting that the South must create more and better jobs, educate all its people for the modern economy, foster the discovery and application of new ideas, and foster a strong civic culture. The final chapter presents a 2-page demographic portrait of each Southern state. (Contains 22 references.) (TD)

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THE STATE OF THE SOUTH 2000

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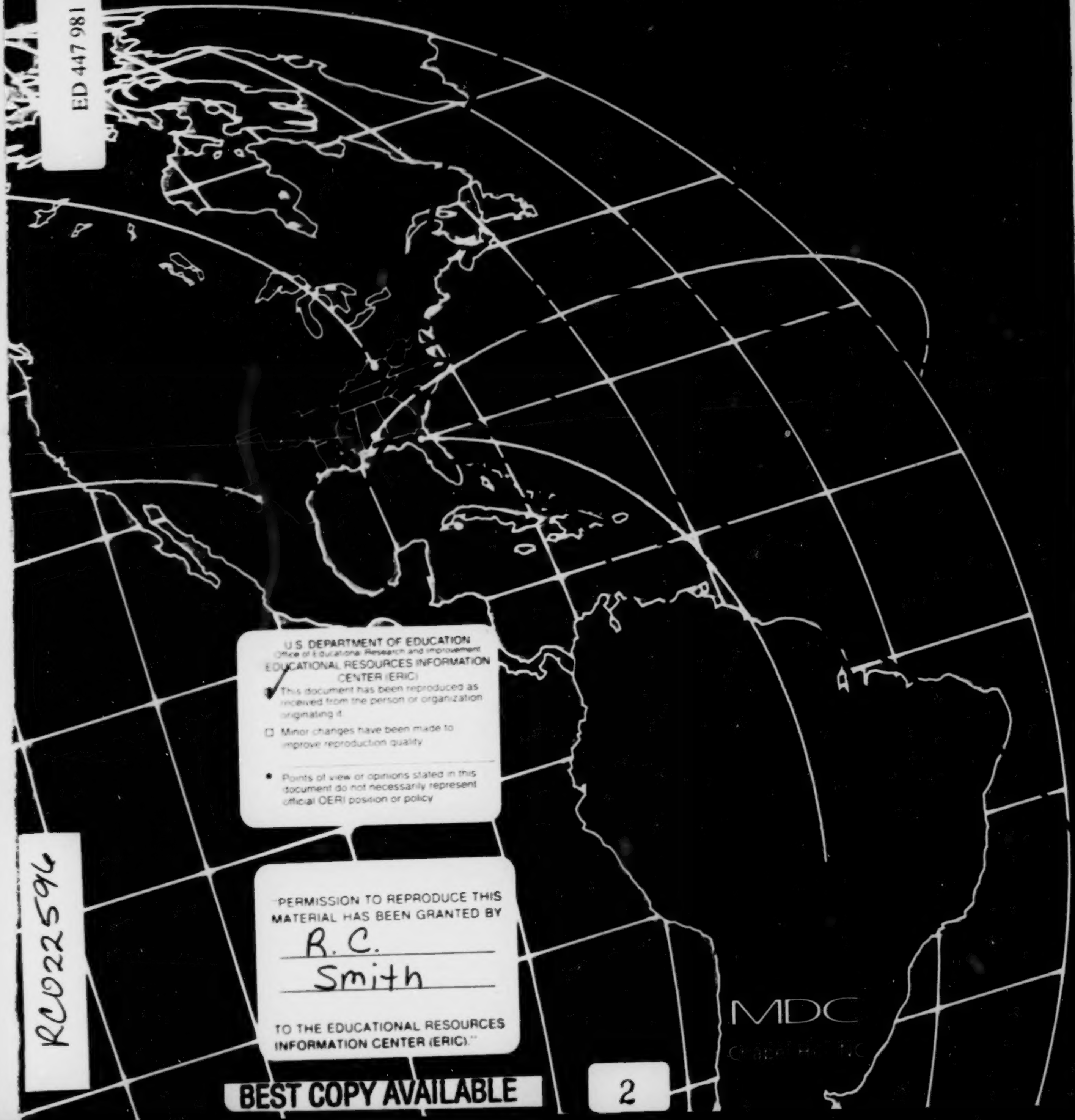

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THE STATE OF THE SOUTH

2000

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Creating Pathways to Economic Opportunity

MDC's mission is to create pathways to economic opportunity. The organization works with public and nonprofit development institutions, policymakers, and opinion leaders in the South to address challenges that impede progress for the region and its people. By analyzing trends and developing policies, programs, and institutional and community capacity, MDC helps the region respond to change, with an emphasis on approaches that benefit poor people and poor places.

Established in 1967 to help North Carolina make the transition from an agricultural to an industrial economy and from a segregated to an integrated workforce, MDC has spent the last 33 years publishing research and developing programs to strengthen the workforce, foster economic development, and remove the barriers between people and jobs.

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Library of Congress Control Number: 00-092824
ISBN 0-9651907-3-0

Dedicated in memory of...

George B. Autry *1937-1999*

Founding President of MDC, 1967-1999

George Autry was our mentor, our colleague, our standard-bearer and inspiration. But most importantly, he was our friend, and we miss him very much.

We are blessed to have known him, and the South is better off for having been his home, the focus of his lifelong devotion to education, economic justice, and racial reconciliation. Every day, we are reminded by his absence that each of us is responsible for continuing his work, hopeful that our dedication, our motivation, might inspire others as he inspired us.

As George would say: *Thank you, friend.*

Acknowledgments

In developing this report, we drew on the knowledge and talents of a great many people beyond our research committee. We could not have produced *State of the South 2000* without them, and we are deeply grateful.

MDC's Research Advisory Committee, a group of outstanding scholars, helped us conceptualize the report and sharpen our analysis. They include John Cromartie of the Economic Research Service, United States Department of Agriculture; William J. Darity, Cary C. Boshamer Professor in the Department of Economics, University of North Carolina at Chapel Hill; Lucy Gorham, economist, of Chapel Hill; Robert Hill, Senior Researcher, Westat, Inc.; James Johnson, E. Maynard Adams Distinguished Professor and Director of the Urban Investment Strategies Center — Kenan Institute for Private Enterprise, University of North Carolina at Chapel Hill; Juanita Kreps, James B. Duke Professor Emerita of Economics, Duke University; Kathy Baker Smith, Vice President for Research, Guilford Technical Community College; and Donald Tomaskovic-Devey, Professor in the Department of Sociology and Anthropology, North Carolina State University.

We also convened colleagues to discuss public policy responses to the challenges and opportunities indicated by our analysis. This extraordinary group represented a wide range of experience in economic development, community development, and education. They include: Bill Bynum, Executive Director, Enterprise Corporation of the Delta, Jackson, MS; Rick Carlisle, Secretary of Commerce, State of North Carolina; Jim Clinton, Executive Director, Southern Growth Policies Board, Research Triangle Park, NC; Sybil J. Hampton, Executive Director, Winthrop Rockefeller Foundation, Little Rock, AR; J. Mac Holladay, President, Market Street Services, Atlanta, GA; Valeria Lee, Program Officer, Z. Smith Reynolds Foundation, Winston-Salem, NC;

Joan Lipsitz, education consultant to numerous foundations, nonprofits, and the federal government; Kathy Baker Smith, Vice President for Research, Guilford Technical Community College, Jamestown, NC; Bob Scott, former Governor of North Carolina; Juan Sepulveda, Executive Director, The Common Enterprise, San Antonio, TX; and Trent Williams, Principal, Regional Technology Strategies, Chapel Hill, NC.

A number of individuals worked with us on specific areas of our research. Carol Conway, Director of the Southern International Trade Council, helped us to understand the dynamics of foreign investment and international trade in the South. Dr. William Frey, Senior Fellow with the Milken Institute, provided data on migration and immigration. Dr. Linda Swanson, a research consultant formerly with the USDA, helped us conceptualize the report, advised us on demographic trends and rural issues, and tabulated 1999 CPS data for us. Catherine Cunniff Brooks, MDC's former research associate, assisted with the initial conceptualization of the report and gathering data.

We also thank the interns who assisted with parts of our research. Stephanie Grice was invaluable on the shift-share analysis and analysis of the impact of foreign investment in the South. Hassan Kingsberry gathered data for and prepared several charts and tables for the report.

We are thankful for the support and assistance of our Board of Directors, who helped us focus our research agenda, and David Dodson, President of MDC, who was instrumental in interpreting the implications of our findings. Nova Henderson, our management assistant, was our proofreader extraordinaire and a bolster during the most stressful days. Bill Bishop, a former MDC writer-in-residence, provided his insights into new-economy cities and a profile on Austin, TX, where he resides. Mark Constantine, President of CCGI, Ltd., and a longtime consultant to MDC, also provided invaluable insights upon reviewing drafts of the report. John Rohrs, MDC's Autry Fellow, gathered supplemental data and developed some of the community profiles. MDC's program staff reviewed our final draft and conferred with us on policy recommendations.

Any errors or oversights contained herein are, of course, solely the responsibility of MDC.

Notes on Data and Analysis

This report refers to the "South" as defined in the 1996 and 1998 editions of *State of the South*: Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia, and West Virginia. The exception is the migration and immigration data from William Frey, which refers to the Census South including Maryland, Delaware, and Washington, DC.

Most of our data on employment and some on population comes from the Regional Economic Information Service (REIS) of the Bureau of Economic Analysis, U.S. Department of Commerce. We used the 1998 and 1999 REIS disks to track employment and population changes from 1978 to 1997.

With one exception *(Figure 33)*, all data for whites are for non-Hispanic whites, and all data for blacks are for non-Hispanic blacks, and all data for Hispanics are for all people who identify themselves as being of Hispanic origin regardless of whether they are white, black, or another race. We have chosen to use the term "Latino" in the text, although data refer to "Hispanic" because it is the term used by the United States Census Bureau.

A portion of this report deals with people moving from place to place. To reduce the potential for confusion, we would like to define the related terms. "U.S.-born" means just that, and "foreign-born" refers to anyone not born in the U.S., regardless of how long they may have lived in the U.S. The term "migrant" refers to anyone who moved from a U.S. state outside the South to a state in the South, including both U.S.-born and foreign-born people, and the term "migration" refers specifically to their movement. The term "immigrant" refers to any foreign-born person who moved from outside the U.S. directly to a Southern state, and the term "immigration" likewise refers specifically to their movement.

The full text and charts of this report, along with those of the 1996 and 1998 *State of the South* reports, are available on the MDC Web site at *http://www.mdcinc.org*.

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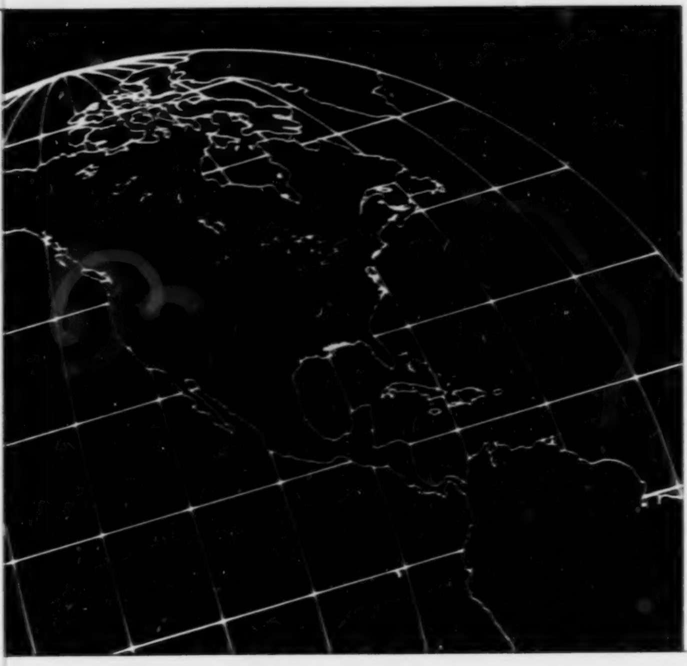
Chapter 1

Going Global



The test of progress is not whether we add more to the abundance of those who have much; it is whether we provide enough for those who have little.

— Franklin D. Roosevelt, 1937

Not so long ago, you could easily categorize typical Southerners at work: mill hands and farm hands, clerks in the dry-goods stores, and hardworking folks wearing straw hats. Only an elite few went off to college, and then practiced law, managed companies, or engaged in commerce in the world beyond.

Now, it is not so easy to define a typical Southerner at work. The South swims in the economic mainstream. As a result, many of the region's people do what most Americans do to make a living: write computer programs, manage portfolios, serve customers in big-box retail stores, assemble automobiles for both foreign and domestic makers, wait on tables, nurse the ill and elderly, operate boutiques, and collect data in glass-and-brick office parks.

All in all, the South has entered the 21st Century in the midst of a remarkable transformation. But even as the South has changed, so have the nation and the world. Today, knowledge, goods, services, and people flow freely across old political borders. The South is no longer isolated, and it couldn't isolate itself even if it wanted to.

Three forces have converged in the past two decades to foster rapid change in the region — change that has shifted economic opportunities and prospects for many Southerners. Those three are:

- Globalization resulting from technological advances and lowered barriers to trade;
- An exceptionally long period of national economic growth; and
- The South's own enhanced regional competitiveness.

As in *The State of the South* reports in 1996 and 1998, our purpose in this report is to foster continued and more-inclusive economic advancement by helping the South take advantage of the change and churning brought about by technology and globalization. In the pages that follow, we point to the South's successes and call attention to the people and places not fully sharing in the region's prosperity. We offer a data-portrait of changing employment in the South, identifying changes in business mix and occupational structure. We examine how globalization is playing out in our communities, contributing to the rapid rise of "new-economy cities" and to the decline of disconnected rural areas.

The State of the South is addressed to the people of the region and its leadership. This time, in response to the challenges of globalization, we direct our analysis and agenda to four sectors from which strong leadership is required for a prosperous future:

Business:

While many entrepreneurs and executives are already responding to the challenges of globalization in their businesses, today's South also needs the collaboration of business in developing public strategies, especially where market areas — and their resulting economic and social issues — cross political boundaries drawn in an earlier era. In many states and market areas where education reform and workforce development have succeeded, the private sector was the driving, demanding force behind it.

Education:

As economic forces require changes in government and business, so must educational institutions respond with innovation and flexibility to catch up and keep up with our rapidly changing economy and society. Leaders of schools, colleges, and universities must join with government officials and business executives in preparing Southerners for the future. Educational institutions must commit to educating all our people and must meet the challenges of increasing access and raising expectations for student performance.

Philanthropy:

Foundations and the nonprofits in which they invest have the freedom to be on the leading edge in responding to change: to innovate, to advocate for those at risk or left behind, to take chances in testing responses to old and new challenges. It is a freedom they must exercise to the fullest to address the region's challenges. Foundations must fuel innovation, as well as help strengthen educational institutions and cultural amenities. Philanthropy and nonprofit agencies must help shape the public agenda by identifying long-term trends and needs, advancing potential solutions, and advocating for those left behind.

Government:

It is through democratic self-government that people express their collective will and aspirations. Government must invest public resources wisely and equitably to achieve the conditions necessary for progress. It has a critical role to play in shaping the South's future: educating the people, building infrastructure, formulating policies, coordinating action, and doing so in alignment with the democratic values of equity and inclusiveness. Collaboration of governments across city, county, and state lines will be essential to the South's future as economic forces continue to defy political boundaries. Enlightened political leadership remains essential to a prosperous society.

The South's leaders must recognize that the region's economy has grown more complex, more diverse than it was a generation ago. That complexity, along with demographic shifts that alter the culture of communities, makes the task of leadership difficult and yet critical.

This report seeks to contribute to the region's — and its leaders' — understanding of both the pressures and the opportunities that economic and social trends present. The South needs to summon up once again leadership of dynamism and vision to come to grips with an economy gone increasingly global.

Economic Change in the South

Characteristic	What We Were *1960s*	What We Are	What We Could Be
Job growth	- South lags the U.S. in job creation	- South leads the U.S. in job growth - High level of new job creation and destruction of old jobs	- Southern economy continues to grow at a healthy pace - Equitable distribution of jobs across geographic areas - Higher-quality jobs
Economic structure / Industrial base	- Stable structure, dominated by agriculture, natural resources, and manufacturing - Low level of entrepreneurship and innovation	- Changing structure — high-skill industries emerging, low-skill industries fading - Rapidly expanding service and distribution industries	- Dynamic economy; high level of entrepreneurship and innovation - Diversified economic structure
Technology / Productivity	- Most new technology comes from outside the South - Slow pace of technological change - Low skills, low productivity, low wages and income	- Mix of imported and locally generated technology - Labor-saving technology results in increased productivity - Quickening pace of change, as computers enter every sector from manufacturing to retail - Telecommunications and e-commerce make businesses more footloose within the U.S. and worldwide - IT emerges as economic engine - Digital divide affects the poor, African American and Latino, and rural communities	- Technology is generated by Southern world-class research centers - Explosive pace of change; e-commerce, biotechnology, other high-tech sectors drive growth, and all sectors adopt new technology at a rapid pace - Digital economy creates new opportunity for Southerners of all races, income levels, and geographic areas
Investment capital	- Imported from the North	- Worldwide sources; much foreign direct investment	- Venture capital emerges in the South; foreign investment continues to expand
Trade	- Exports of natural resource-based products; imports of consumer goods	- Growing importance of foreign trade — both exports and imports; changing mix of products - Trade causes structural change in Southern firms and communities - Global competition forces U.S. firms to become more productive, and sends many jobs overseas	- South benefits from international trade by exporting more high-tech products, goods, and services
Occupations	- Outdoor and factory work - Lifelong work for one employer	- Indoor and office work dominate - Churning labor market - Growing contingent workforce - U.S. firms outsource work, both domestically and abroad	- More high-skill, high-wage jobs - Opportunity for job mobility and career advancement - Labor market adjusts to contingent work; makes employee benefits available to more workers

Straddling Old and New Economies

The name of the game is always excellence, excellence in business, politics, literature or sports... The difference is that now the door is open to all fields and the South, like the rest of the country, has no excuses.

— Walker Percy

Walker Percy, the novelist who lived in Louisiana, delivered those words in 1978, the year that serves as the baseline for this study. In the two decades since, the South has ridden a rocket of accelerating change. The region has experienced remarkable growth as its economy has been transformed.

But the benefits of growth have not been distributed evenly across the region. What's more, the transformation is still a work in progress. Even as the South steps onto new economic terrain, marked by global trade and fast-coming advances in technology, the region still must deal with the legacy of its days as an underdeveloped, natural resource-based economy.

At the outset of the 21st Century, no force exerts more power in opening doors, tumbling barriers, and posing critical choices than what is widely known as "globalization." It is not exactly a new phenomenon, but in scope and intensity it has taken on new dimensions and a complexity that makes interpretation of its impact and implications all the more difficult. A number of interwoven factors, each affecting the other, stimulates and reinforces changes in the Southern economy:

- An unprecedented knowledge revolution has opened vast new possibilities for economic well-being.
- Information technology facilitates the transfer of knowledge, capital, goods, and services across borders, altering the competitive position of nations.
- Improved manufacturing technology allows fewer workers to produce more goods.
- The lowering of many barriers among countries has contributed to global flows of goods, services, and people.

For its part, the South has never been entirely isolated from international trade. After all, New Orleans developed as a trading port city, and the colonists began growing tobacco not exclusively for their own consumption. But now, the South must make and sustain global connections of greater depth and reach than ever before.

Half a century ago, the South would have been ill-prepared to compete in a fast-changing, demanding economy. Then, the South was divided by race, undereducated, and dependent on investment from the North.

Now, however, doors have opened, barriers have fallen away, and the South no longer can cling to old excuses. Globalization and technology increase opportunity and raise standards while increasing the costs of competition and place ill-equipped workers, businesses, and communities at greater economic risk. The South now stands in a much better competitive position as it confronts these challenges. At issue is whether our leaders will work collaboratively to assure that more of our people can take advantage of the new doors of opportunity that have been opened.

Outpacing the Nation

The South has outpaced the nation in its rate of job creation. Since 1978, nearly four of every 10 jobs gained in the United States were in the South.

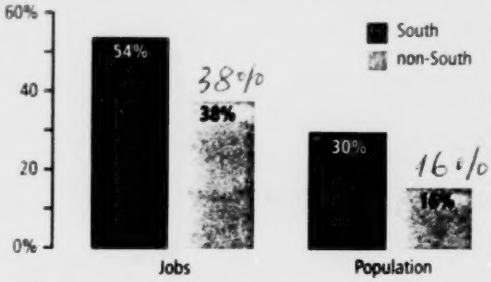
The number of jobs increased by 54 percent in the South, 38 percent in the rest of the nation. *(Figure 1)* In every Southern state, the number of jobs per 100 people went up. Four states — North Carolina, Virginia, Tennessee, and Georgia — had more jobs per 100 in 1997 than the national average. *(Figure 2)*

Despite a generally vibrant regional economy, job growth varied greatly from state to state. Among the states, the pattern of job growth, in large part, tracked the emergence of metropolitan areas that are well connected to the high-tech, global economy. Four Atlantic Coast states, along with Texas and Tennessee, grew at a faster rate than the nation. Job growth in other Southern states was below the national rate.

The increase in jobs — as well as improvements in the mix of jobs — helped the South raise its overall income level. Eight states raised their per capita income relative to the nation, while five states — West Virginia, Oklahoma, Louisiana, Texas, and Arkansas — saw their income gap with the nation widen. Kentucky's income gap remained constant relative to the nation. Overall, the South has narrowed the gap but still trails the nation in per capita income. *(Figure 2)*

Figure 1

Job and population growth, South and non-South, 1978-97



Source: BEA Regional Economic Information System, U.S. Department of Commerce, 1998

Not Just Along for the Ride

When the nation goes on an economic roll, as it has for much of the 1990s, it takes the South along for the ride. But since the Southern economy did more than merely match the nation's performance in job growth in the 80s and 90s, MDC used a technique known as shift-share analysis to identify the sources of that job growth.

In addition to calculating how many jobs the region — as well as individual states — gained or lost during this period, the analysis separates and measures the effects of national growth, business mix, and regional competitiveness.

National Growth:

Between 1978 and 1997, the South gained 17.7 million jobs. If the regional economy were an exact replica of the national economy in industrial structure and growth rate, the region would have gained only 13.9 million jobs.

Business Mix:

At the end of the 1970s, the South had a very different economic structure than the nation as a whole. For example, the South had disproportionately

Figure 2

Different states, different stories

Employment and income in the Southern states, 1978-97

	Job Growth, 1978-1997	Jobs per 100 People, 1978	Jobs per 100 People, 1997	% of U.S. Per Capita Income, 1978	% of U.S. Per Capita Income, 1997
United States	42.6%	49.4	58.4	100.0%	100.0%
South	54.2%	48.3	57.3	87.4%	90.5%
Alabama	35.7%	44.7	53.8	78.0%	81.7%
Arkansas	40.0%	45.6	56.7	78.4%	**77.5%**
Florida	89.5%	46.4	54.7	95.9%	98.1%
Georgia	70.4%	49.6	59.7	84.8%	94.4%
Kentucky	33.0%	45.6	56.0	81.3%	81.3%
Louisiana	24.3%	45.4	52.7	84.2%	**80.9%**
Mississippi	29.4%	44.3	52.2	69.6%	71.6%
North Carolina	56.5%	51.4	62.1	81.7%	91.6%
Oklahoma	31.9%	49.0	56.7	89.0%	**80.3%**
South Carolina	46.4%	48.3	57.5	76.0%	81.1%
Tennessee	47.6%	49.9	61.2	82.6%	89.8%
Texas	62.9%	51.1	58.0	96.2%	**93.7%**
Virginia	53.0%	51.0	61.2	96.4%	103.2%
West Virginia	10.7%	40.7	47.6	81.0%	**74.0%**

Source: BEA Regional Economic Information System, U.S. Department of Commerce, 1998 and 1999

Seven Southern states had faster job growth than the U.S. Four of these were also above the U.S. average in jobs per 100 people. But the South still lags well behind the U.S. in per capita income. By 1997, Virginia was the only Southern state to exceed the U.S. per capita income. Five states (boldface) lost ground relative to the U.S. in PCI.

more jobs in textiles, apparel, chemicals, coal, and petroleum, all of which have since grown slowly or declined. Also, the South had substantially fewer jobs in services, a sector that would surge during the 80s and 90s. The shift-share analysis shows that the region produced 1.2 million fewer jobs than it would have if its business-sector mix had been the same as the U.S.

Regional Competitiveness:

Despite beginning the past two decades with a disadvantageous business-sector mix, the Southern economy more than matched national growth. While the South did not thoroughly release itself from the grip of its traditional low-wage, low-skill industries, the region diversified and strengthened its competitive position. Of the 17.7 million net new jobs, about five million can be attributed to advances in the region's own competitiveness.

What contributed to the region's improved competitiveness?

No doubt, a combination of public policies and private investments enhanced the South's economy. State and local governments improved roads, built major airports, and provided modern medical facilities. Once the albatross of government-sanctioned racial segregation was removed, the South was liberated to remodel its economy. Public-school reform swept across the region, states increasingly upgraded workforce training, and many Southerners seized expanded opportunities to become entrepreneurs and to prepare for jobs in a shifting economy. Financial institutions provided investment capital. Improved infrastructure and technology, as well as natural amenities, made the South attractive to businesses and people — both those new to the region and native Southerners who returned after seeking opportunity elsewhere.

Job Churning — Gain Some, Lose Some

The dynamics of globalization have altered the very structure of the Southern economy, with new products and services rising and old enterprises dying or moving to other countries. In general, the transformation of the Southern economy has led to a shift away from low-skilled blue-collar work to higher-skilled white-collar work. Today more Southerners than ever work in jobs that require postsecondary education and training.

The freer flow of knowledge, coupled with developments in communication and transportation technology, has made it possible to link production sites and markets that used to be separated by time and distance. Research leads to the creation of new products, money travels from country to country electronically, and businesses arise to provide services to people and to other businesses.

As new businesses emerge, they bring on new jobs. As new production technologies are introduced and as old industries decline, old jobs disappear. This churning creates the paradox of job losses amid historic low unemployment. Amid the churning, many Southerners have seized new opportunities and derived major benefits. Others, especially those not prepared educationally to seize new opportunities, suffer losses. The forces of globalization and technology rearrange the competitive position of businesses, cities and towns, and even people.

In the South, some states and metropolitan regions have girded themselves well for participating in the global economy. But for some people and places whose dependence on the old economy lingers, the winds of economic globalization have blown in a chilly anxiety.

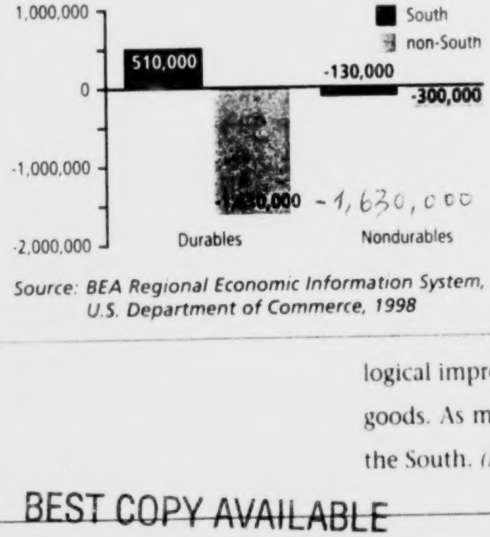
Manufacturing Gravitates Southward

Global competition and technological change have caused dramatic shifts in manufacturing — what goods are made, how many workers are required, what skills are required, how factories are organized.

A generation ago, the South was known for making cloth, clothing, and carpets; for rolling cigarettes and refining sugar; for cutting lumber and mixing chemicals. Now, many of these goods are produced by workers in developing countries, or with robots in domestic factories. These days, Southerners also assemble automobiles, produce tires, and manufacture auto parts. They make computers and develop software. They produce fiber-optic wire and all sorts of electronic equipment.

Figure 3

Change in manufacturing employment, South and non-South, 1978-97



Source: BEA Regional Economic Information System, U.S. Department of Commerce, 1998

Across the nation, manufacturing has shed jobs since 1978; nationally, only four manufacturing sectors grew: lumber and wood, furniture and fixtures, printing and publishing, and rubber and plastic. Even as other manufacturing sectors lost jobs, most increased their production — a sign that technological improvements had made it possible for fewer workers to produce more goods. As manufacturing jobs diminished in other regions, they increased in the South. *(Figure 3)*

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The South's distinctive story is this:

- Jobs in durable-goods manufacturing grew, some sectors by as much as 30 percent. For many Southerners, this has meant expanded opportunities for high-skill, higher-paying work.
- Nondurables declined nationally, but they shed jobs in the South at a slower pace. Hundreds of thousands of Southerners remain engaged in textiles and apparel and other historically low-skill, low-paying industries.*

All in all, the South's longtime dependency on low-skill, low-wage manufacturing has lessened. In many cases, U.S. factories have closed, as new factories are set up elsewhere. In some cases, domestic factories have been retooled, with robots and other modern equipment replacing human labor; fewer jobs remain, and they are more technology-oriented and require higher skills.

Whatever the underlying cause, the trend has had a severe impact on small towns and rural areas, where textile mills and cut-and-sew plants have long been located.

Textile employment dropped from 681,000 in 1978 to 488,000 in 1997, while apparel jobs went from 599,000 down to 377,000. Together, these sectors shed 400,000 Southern jobs in 20 years. And the declines persist — 50,000 jobs were lost in 1999.

Still, manufacturing of nondurable goods remains a major source of jobs in the rural South. In 1997, textiles accounted for nearly 4 percent of the workforce in North Carolina and South Carolina, as well as 2 percent in Georgia. More than 1 percent of the workforce of Alabama, Kentucky, Mississippi, Tennessee, and the Carolinas was employed in apparel. Meanwhile, food processing and paper manufacturing grew in the South, while declining elsewhere.

In today's South, more people work in processing food and in making industrial machinery and electronic equipment than in producing textiles and sewing apparel. Now, automobile and printing plants nearly equal textile mills as sources of employment. *(Figure 4)*

The shift in manufacturing represents an economic advance for the South. Jobs in durable-goods manufacturing typically require higher skills to operate complex machinery, and consequently workers earn higher

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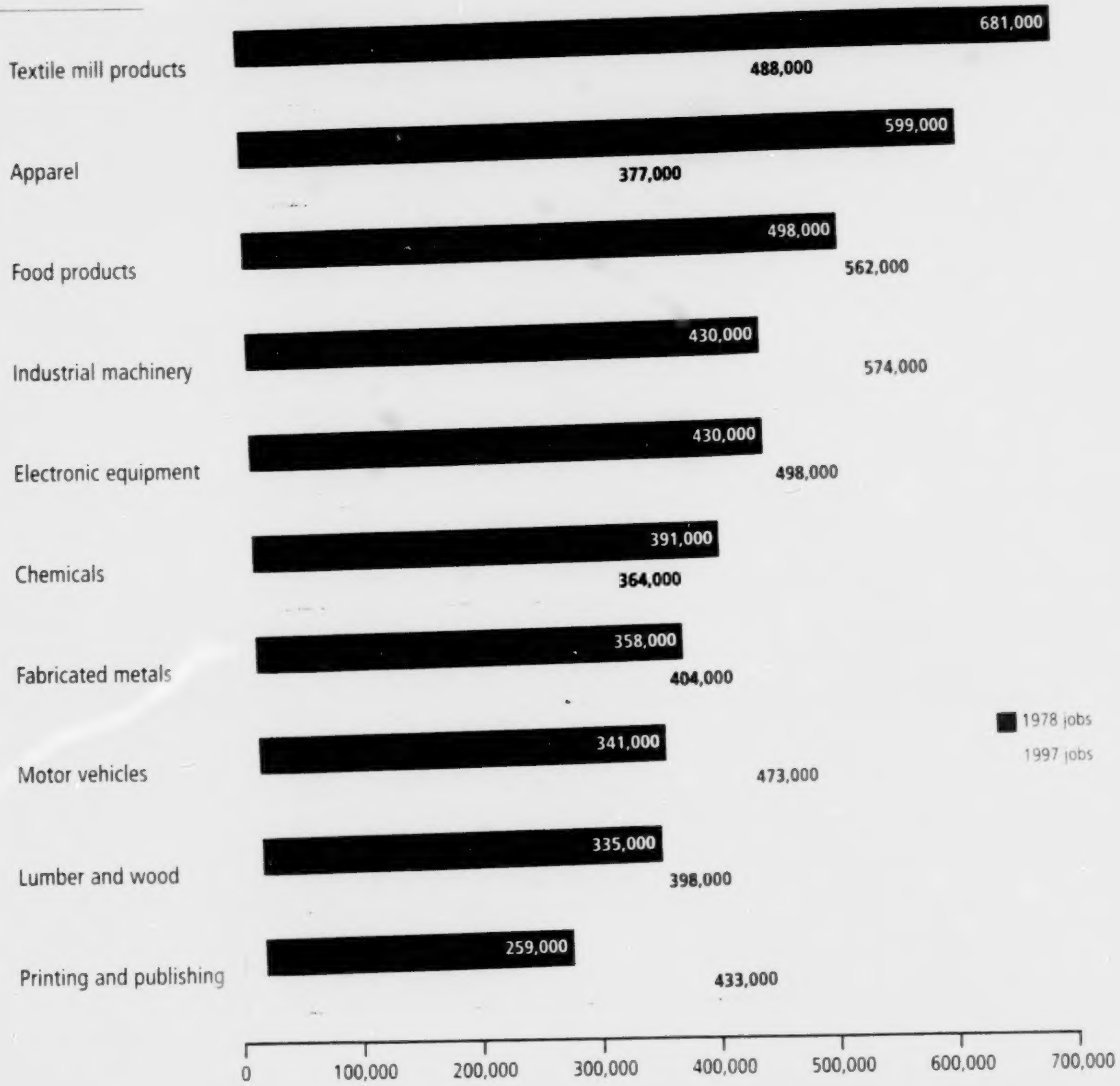
* Durable goods are "hard" products assumed to have a relatively long life after they leave the factory: lumber and wood products; furniture; fabricated metal products; industrial machinery and computers; electronic equipment; motor vehicles and transportation equipment; and others. Nondurables are "softer" products assumed to have a shorter life after their manufacture: food products; tobacco products; textiles; apparel; paper; chemicals; petroleum and coal products; rubber and plastics; and leather products.

Figure 4

More machine makers than pieceworkers

The South's largest manufacturing sectors in 1978: How they fared from 1978 to 1997



Source: BEA Regional Economic Information System, U.S. Department of Commerce, 1998

In 1978, textiles and apparel were the South's largest manufacturing sectors. Today's largest sectors are industrial machinery (including computers), food products, and electrical/electronic equipment. Several other sectors — motor vehicles, printing and publishing, lumber and wood, and fabricated metal — now employ more Southerners than apparel plants.

wages. Extensive foreign investment in the U.S. has contributed to the rise of durable-goods manufacturing in the South, while both U.S. and foreign investors have shifted lower-skilled, nondurables manufacturing to developing countries.

Over the past 20 years, competitive pressures and technological advances have created major changes in the South's manufacturing structure. And these changes are far from finished. While durable-goods manufacturing has shifted southward, these industries remain somewhat less represented in the South than in the rest of the nation. Most likely, such manufacturing will continue to grow in the South for at least the near future.

Although nondurables have shifted to other countries, these industries continue to have a higher presence in the South than elsewhere in the U.S. Further job losses are in store. For many Southerners, therefore, the future holds uncertainty over job security and over whether their skills will be needed in the new economy. The region's leadership faces the challenge of acknowledging and preparing for these inevitable job losses.

Reinforcement from Foreign Investment

A generation ago, the economic identity of the Greenville-Spartanburg area of South Carolina was defined by textiles. Now, the I-85 corridor, as it runs through upstate South Carolina, is sometimes called America's "Autobahn." More than 90 international companies have located facilities in that growing metropolitan region.

A two-decade increase in foreign-owned firms across the South not only has transformed such communities as Greenville-Spartanburg but also has accelerated the South's transition toward durable-goods manufacturing. Foreign investors have not put money into the South's traditional industries. Their investment has been concentrated in high-productivity industries that require higher skills and pay higher wages — motor vehicles and tires, chemicals and pharmaceuticals, industrial machinery and electronic equipment. Foreign investment, therefore, has been a major factor in changing the South's business mix.

While foreign investment benefits us, it also obliges us to stay globally competitive to warrant the investment. Since investors literally now have a world of options, this level of competition means the region can no longer call

all the shots in its economic destiny. Achieving excellence in human and technological resources greatly improves the South's competitive advantage.

Near the end of the 1990s, almost 2 million Southerners worked in foreign-owned firms. *(Figure 5)* Such enterprises accounted for nearly 4 percent of private-sector employment in the South.

Foreign investment is more prevalent in manufacturing: Foreign-owned firms account for 10.7 percent of U.S. and 12.6 percent of Southern manufacturing jobs. In four Southern states — South Carolina, Kentucky, Tennessee, and West Virginia — more than 16 percent of manufacturing jobs are in foreign-owned firms. *(Figure 6)*

Foreign investment takes many forms. Its largest component consists of acquisitions and mergers, which do not necessarily create new jobs, but may affect the culture of companies, their workplaces, and communities. The more conspicuous form of foreign investment is greenfield development — new plants on previously undeveloped sites — which brings capital and new jobs to a community. In the first five years of the 90s, the South got 42 percent of all foreign greenfield development in the U.S.

In the South, as well as the nation, there was a substantial spurt of foreign investment from 1977 to 1987. For the next 10 years, foreign investment continued to rise but at a slower rate.

A variety of reasons lead foreign investors in search of profits into the South. Some come to the South to tap into the large U.S. market or because it is less expensive to produce their goods closer to their consumers. Some foreign-owned plants result from investors, especially Europeans, looking for lower costs in land and wages than in their home countries.

To a large extent, foreign investment in the South is in the form of branch plants. For much of the 20th Century, investors from the Northeast and Midwest put factories in the South, while headquarters stayed up North. Foreign investment has indeed reshaped the region's manufacturing base, though it has nonetheless largely followed the pattern of branch plants in the South, headquarters somewhere else.

Even as foreign-owned firms have helped transform the Southern economic landscape, it should be noted that American investment abroad far outpaces foreign investment in the U.S. The closing of labor-intensive shops in the South as U.S. firms have sought lower costs abroad also has contributed substantially to the restructuring of the region's economy.

Orangeburg County, SC — A Corporate Melting Pot

Thirty years ago, rural Orangeburg County, South Carolina, was a poor community, home to a small population and a historically black university, South Carolina State University, and a technical college. It was like much of the South.

Orangeburg is still like much of the South, but now it is home to 90,000 residents and six foreign-owned firms representing six different countries. A lot of towns in the South are home to foreign firms these days, and in many cases foreign investment has transformed the typically Southern community.

In 1970, the Orangeburg County Development Commission (OCDC) recruited its first foreign-owned firm, Mayer Industries, a German manufacturer of knitting machines. While the OCDC had not planned on foreign investment as a major economic development tool, their experience with Mayer convinced them that it was a beneficial option. While every community might not determine that recruiting foreign investment is its best development strategy, Orangeburg's experience shows that if the opportunity comes knocking, the benefits could make it worthwhile to at least open the door.

Orangeburg's progress is due in part to working with state government. The South Carolina Department of Commerce's foreign offices have led the recruitment efforts. By developing "tremendous relationships of trust" with headquarters of potential investors, Commerce facilitates introductions between county developers and foreign investors. German, Japanese, Swiss, Danish, and Swedish investors each own one establishment in Orangeburg County, and a German-French joint venture operates another plant. More than 90 percent of the jobs that foreign affiliates created have gone to local residents. Now, the six foreign-owned firms jointly employ 3,027 people, 12 percent of the county's workforce.

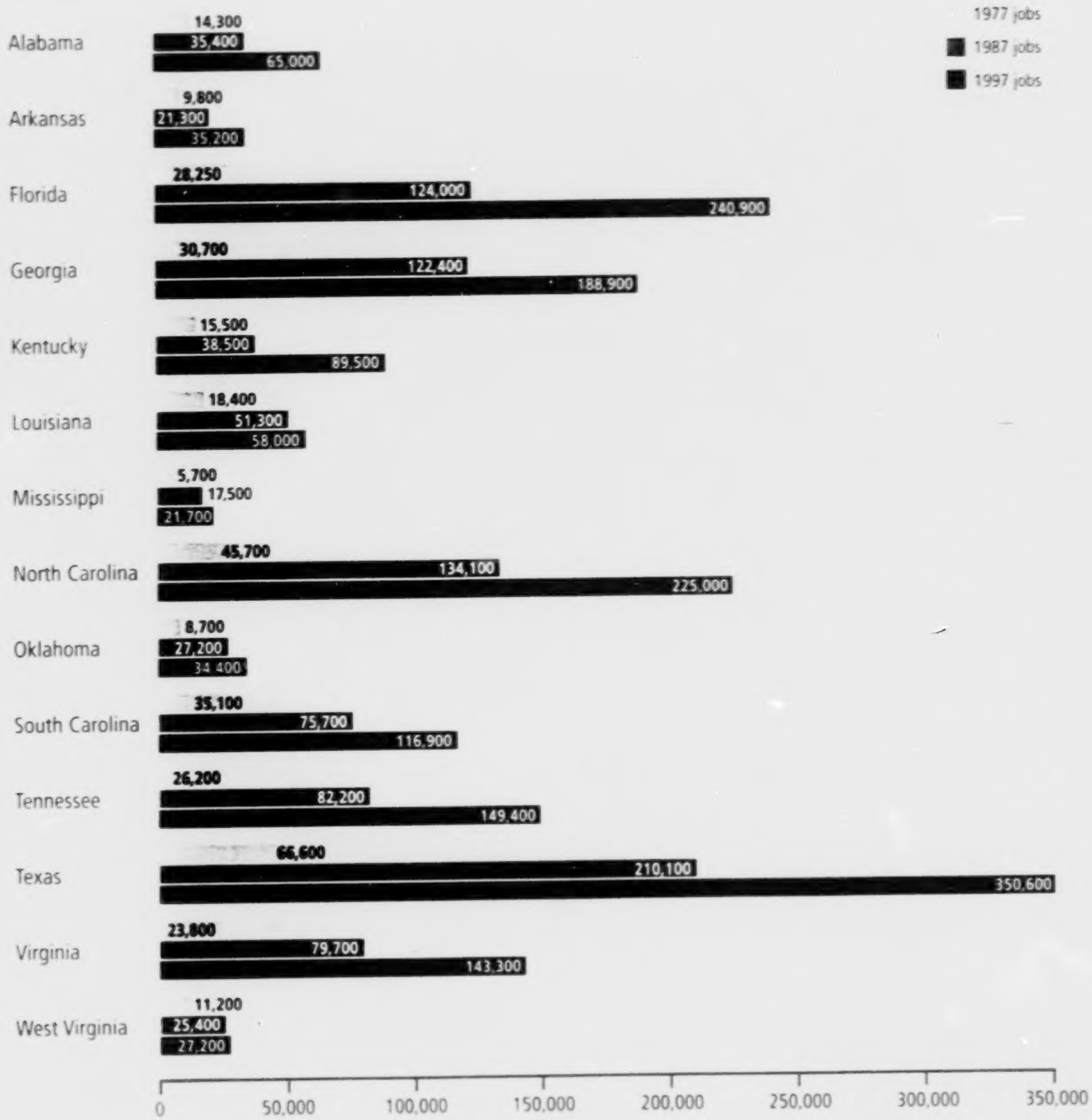
Orangeburg County has some geographic and natural assets that have helped its recruiting. The county is on Interstate 26, a major highway. Its strategic location between the state port city of Charleston and the state capital of Columbia has benefitted OCDC's development efforts. Its geological characteristics also attracted Holnam, Inc., a Swiss cement manufacturer that uses the native soil as a raw material in production.

Future recruitment efforts will focus on industry instead of country of origin, but the OCDC would like to attract more foreign firms. County developers believe that the economic and cultural diversity foreign firms bring is a benefit. Although there is little difference between the wages that foreign and domestic firms in Orangeburg pay their workers, the OCDC credits the foreign firms with helping to raise county wage rates, improving labor relations, and becoming active community participants.

Figure 5

More foreign investment, more jobs

Employment in foreign affiliates, Southern states, 1977-97



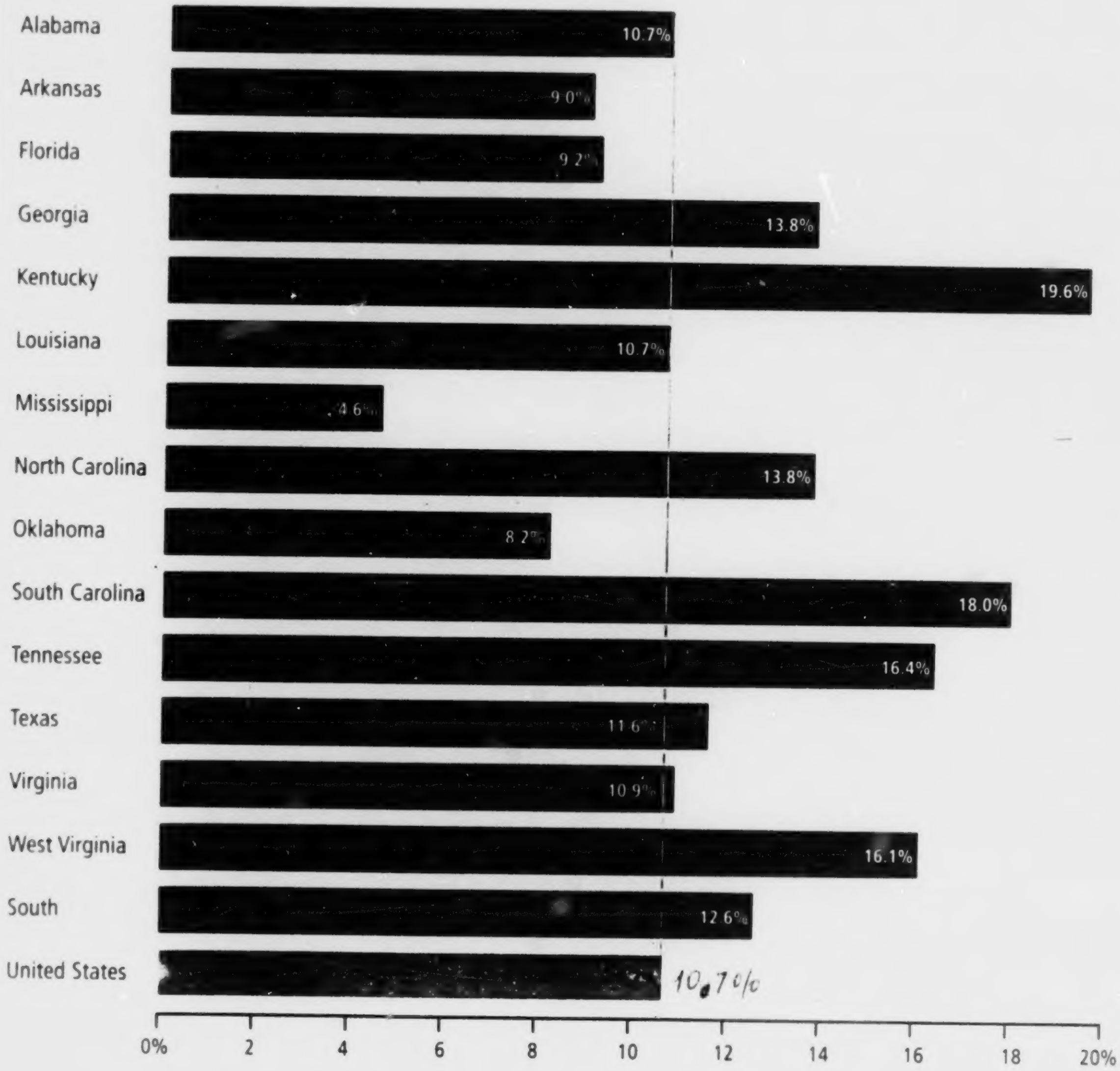
Source: Bureau of Economic Analysis, U.S. Department of Commerce

Every Southern state has had a substantial increase in employment in foreign-owned businesses. In most states, the biggest increase occurred between 1977 and 1987. A "foreign affiliate" is defined as any firm with at least 10 percent foreign ownership; the average foreign affiliate in the U.S. has 79 percent foreign ownership.

Figure 6

Foreign-owned companies fuel manufacturing growth

Manufacturing employment in foreign affiliates as a percentage of total manufacturing employment, U.S. and Southern states, 1997



Source: Bureau of Economic Analysis, U.S. Department of Commerce

Foreign investment has helped fuel the growth of manufacturing in the South. Seven Southern states are well above the U.S. average in the percentage of manufacturing employees who work in foreign-owned firms. Only four — AR, FL, MS, and OK — are below the national average. This trend means more jobs with higher wages, but it also means an increased economic reliance on companies where critical decisions might not be made locally.

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Rapid Rise in Exports

As the U.S. economy has become more intertwined with other countries, so has the South's. An increasingly important measure of a region's competitiveness is its participation in foreign trade. Trade is a primary component of economic health and development, whether it is selling goods and services to the state next door or the country on the other side of the world. Trade brings money into a community, allowing for reinvestment and wealth creation — critical factors in a thriving local economy.

With goods and services moving in and out more freely, what happens in foreign lands often has a direct and immediate effect on the economy of the South. The decline of tobacco in the Southeast, for example, is related not only to court cases in the U.S. but also to the economies of tobacco-growing Brazil and Zimbabwe.

Southern consumers, like other Americans, now partake in the vast expansion of imports over the past 20 years. We drive foreign cars, eat food produced abroad, wear imported clothing — indeed, imports permeate our consumption patterns.

Before the current tide of globalization swept in, the South lagged well behind the U.S. in exports. Most of what the region sold abroad was low-value-added, natural resource-based products. Since 1978, the South has been playing catch-up.

Just as the South has exceeded the nation in the proportion of jobs in foreign affiliates, so the region recently has increased its exports at a faster pace than the U.S. as a whole. From 1987 to 1997, the value of exports from Southern states went up from $48 billion to $153 billion — an increase of 221 percent, compared to the U.S. increase of 181 percent.

Every Southern state, except Louisiana, increased exports as a percentage of its gross state product from 1987 to 1997. And yet, in 1997, when exports represented 8.5 percent of national gross domestic product, the Southern states, with the exception of Texas, lagged behind the U.S. average of exports in relation to gross state product. *(Figure 7)*

Exports of natural resource products remain substantial in a few Southern states. In Louisiana and Arkansas, the top-ranked exports are still agricultural and food products. Cigarettes and other tobacco products remain the leading export from Virginia. West Virginia's top export is coal.

Figure 7

Exports lag U.S. despite rapid growth

Value of export goods from the Southern states, 1987-97
(in 1997 dollars)

	Exports 1987	Exports 1997	Percent Change	Percent of 1997 GSP
Alabama	$1.48 billion	$4.54 billion	206%	4.4%
Arkansas	$0.41	$2.21	442%	3.8%
Florida	$7.80	$22.89	193%	6.0%
Georgia	$2.43	$9.81	303%	4.3%
Kentucky	$1.72	$6.90	301%	6.9%
Louisiana	$2.98	$4.37	47%	3.5%
Mississippi	$0.45	$1.42	217%	2.4%
North Carolina	$3.47	$13.10	277%	6.0%
Oklahoma	$0.97	$2.72	181%	3.6%
South Carolina	$1.02	$5.67	458%	6.1%
Tennessee	$2.97	$9.92	234%	6.7%
Texas	$18.05	$56.29	212%	9.4%
Virginia	$3.15	$11.51	266%	5.4%
West Virginia	$0.66	$1.30	98%	3.4%
South	$47.55	$152.67	221%	6.3%
U.S.	$244.41	$687.60	181%	8.5%

Source: International Trade Administration, U.S. Department of Commerce

All but three Southern states (LA, OK, and WV) increased exports at a faster rate than the U.S. over the past decade. However, exports still represent a low percent of gross state product in the South. By 1997, only Texas exceeded the national average, and most Southern states were well below average, leaving them a great deal of opportunity for business development.

Figure 8

Not just tobacco, trees, coal, and cotton: South exports high-value-added products

Top five export goods, U.S. and Southern states, 1998

	Industrial Machinery	Transportation Equip	Electric and Electronic	Chemical Products	Scientific Instruments	Food Products	Tobacco Products	Textile Mill Products	Apparel	Lumber and Wood	Paper Products	Primary Metals	Fabricated Metals	Agricultural Products	Coal and Lignite
United States*	1	2	3	4	5										
Alabama	2	1	3	5							4				
Arkansas	5	4	3	2		1									
Florida	1	3	2	4	5										
Georgia	3	2	4	1				5							
Kentucky	2	1		5			3		4						
Louisiana	3	5		2		4								1	
Mississippi	1		2	3					5					4	
North Carolina	1		3	2				5	4						
Oklahoma	1	3	4	2									5		
South Carolina	3	2	1	4				5							
Tennessee	4	1	5	2										3	
Texas	2	4	1	3	5										
Virginia	3	4	2				1								5
West Virginia	4			2						5		3			1

** United States figures are for 1997, most recent available. These rankings were the same in 1995, 1996, and 1997.*

Source: International Trade Administration, U.S. Department of Commerce

The top four U.S. export goods — industrial machinery (including computers), transportation equipment, electronics, and chemical products — are also among the top five exports from most Southern states. However, the number five export nationally — scientific instruments, a very high-value-added sector — is a significant export only in Florida and Texas. Meanwhile, natural resource-based products, including tobacco, textiles, apparel, agricultural products, and coal — all declining industries — remain important exports in several states.

But in most states, the mix of exports has shifted away from agriculture commodities, coal, and petroleum. While it is more difficult to quantify, the mix now includes services. Industrial machinery, including computers, is the largest export from five states. Electrical equipment, chemicals, and transportation equipment rank among the top five exports from most Southern states. *(Figure 8)*

The shift in the South's export mix provides additional evidence that the region's economy has come to resemble the nation's economy. Remaining globally competitive is crucial to the South's ability to offer better jobs to its people.

Surge in Services

While the employment shifts within manufacturing have been dramatic, an even more powerful trend has taken place outside the factories. You see the trend in the discount chains and the big-box appliance stores, in restaurants in tourist towns, in offices of glassy skyscrapers, and in hospitals and assisted-living centers.

At the end of the 1970s, the South lagged the nation in jobs in both services and retail. But, over the past two decades, nearly two-thirds of all new jobs in the South have come in those two sectors. *(Figure 9)* Population growth and aging, rising affluence and the enlargement of the region's consumer base, and increasing educational attainment — all of these factors have driven the surge in services and retail jobs. In addition, business growth and restructuring has led to a burgeoning of business-to-business services.

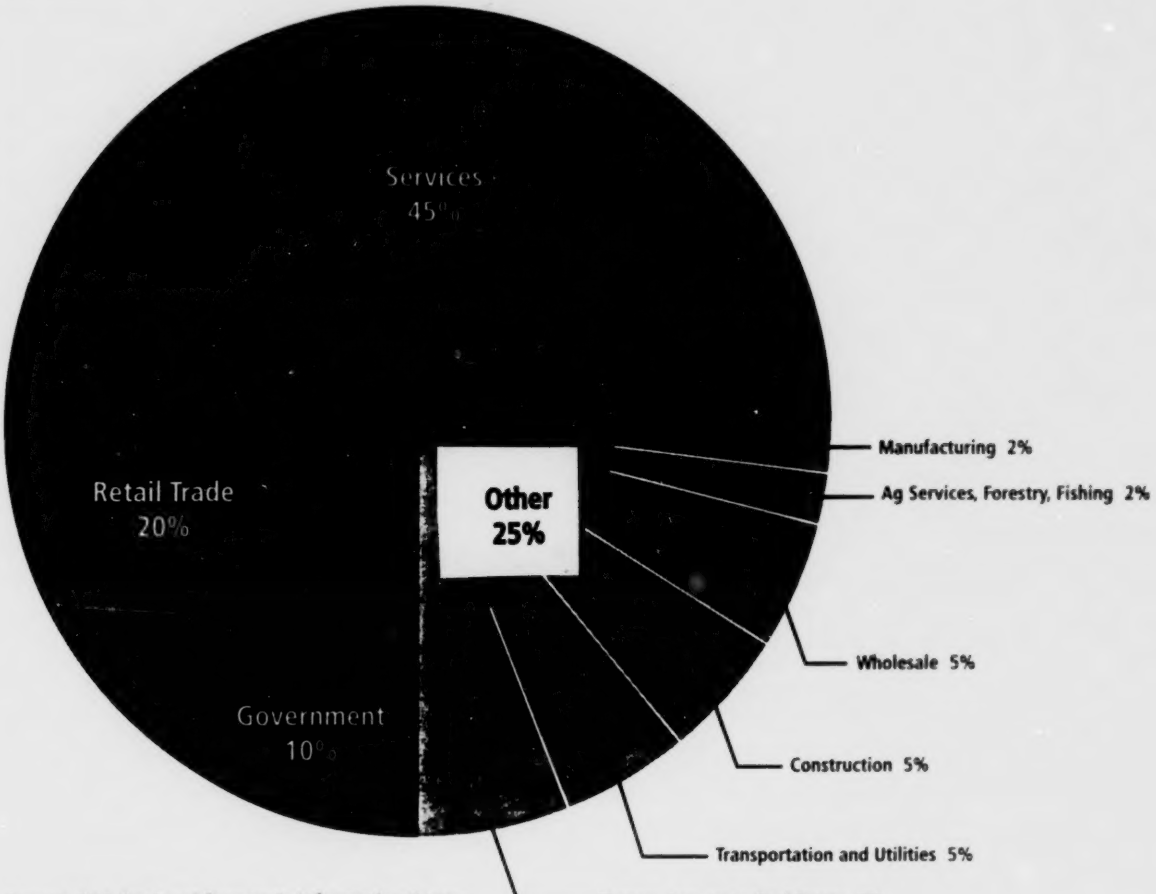
From 1978 to 1997, service jobs doubled nationally but grew even faster in the South and now account for 29 percent of the region's employment. Among the services, business services grew most rapidly, followed by health services. Business services, which added 2.5 million jobs in the region, now employ more than 3.4 million Southerners. Health services added more than 2 million jobs and nearly match business services in total employment. *(Figure 10)*

Retail trade now represents the second largest employment sector, behind services, in the South. One in five jobs gained in the region since the end of the 70s came in retail. By the end of the 90s, the South had as many retail jobs in relation to its population as the U.S. as a whole — 9.9 jobs per 100 people. Within retail, the largest employment gains were in eating and drinking establishments.

Figure 9

Services, retail dominate job growth

Jobs gained in the South by sector, 1978-97



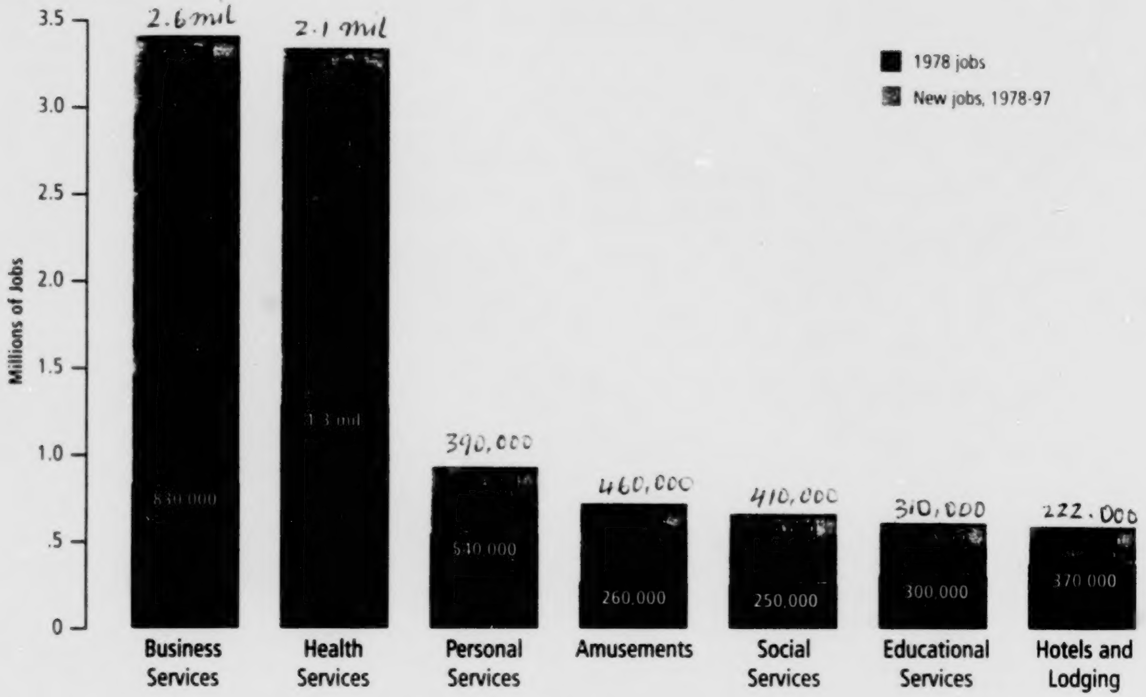
Source: BEA Regional Economic Information System, U.S. Department of Commerce, 1998

The South's business mix has shifted dramatically since 1978. Manufacturing represented only 2 percent of the jobs gained over two decades, while 65 percent of the new jobs were in services and retail. State and local government, including public education, accounted for 10 percent of the new jobs.

Figure 10

Taking care of other businesses, other people

Employment in services in the South, 1978-97



Source: BEA Regional Economic Information System, U.S. Department of Commerce, 1998

Business services gained 2.5 million jobs in the 1980s and 90s to overtake health services as the largest component of service employment. All types of service jobs grew rapidly in the South.

Examples of businesses in the service subsectors:

- ***Business services*** include jobs in temporary employment agencies; computer programming and data processing; building cleaning and maintenance; protective services; advertising; credit agencies; mailing and copy services; and equipment rental.
- ***Health services*** include jobs in offices of doctors, dentists, and other practitioners; nursing care facilities; hospitals; home health care; and medical labs.
- ***Personal services*** include laundries and dry cleaners; beauty and barber shops; funeral services; and photographic studios.
- ***Social services*** include child care; residential care; individual and family services; and job training and vocational rehabilitation.
- ***Educational services*** include all types of private schools (preschool through college) and education-related services. Note that public schools, colleges, and universities are not included here, but under state and local government.
- ***Amusement services*** include commercial sports, museums, and other services; motion picture production and distribution; video rental and movie theaters; bowling centers; and gaming.

Has the South simply replaced low-wage factory jobs with low-wage hamburger-flipping jobs? That blunt description of the shift has become something of a cliché — and it contains an element of truth. Many of the South's fast-growing businesses create jobs for cashiers, housekeepers, and nursing assistants. Much of the 20-year employment growth has come in service and retail jobs that bring low pay and minimal benefits. The issue is whether those jobs are the first step up the career ladder or an economic dead end, and whether people have equal access to training and other career opportunities.

Job opportunities in services do range broadly from low-skill to high-skill, from low-paying to high-paying. Take, for example, business services, in an era of increased outsourcing of functions. Nationally, about 33 percent of business services jobs come through temporary employment agencies, and those jobs range from high-skill, such as accounting, to low-skill, such as janitorial. Another 15 percent are in building cleaning and maintenance firms. Meanwhile, 16 percent of business services jobs are in computer programming and data processing firms. Like other Americans, more and more Southerners now work in office jobs, many of which provide desirable wages and benefits.

The South has considerable room remaining to expand the service sector. In services linked to population — health care, education, and social services — the South still has fewer jobs per 100 people than the nation as a whole. For example, the South had 3.8 jobs per 100 people in health services in 1997, compared to 4.1 jobs per 100 in the nation.

The central issue facing the region with regard to services is the same that it has long faced in manufacturing: how to shift the balance away from low-skill work to higher-skill work — from just any job to better jobs. Services can deliver the kind of economic uplift that manufacturing did when the region had been a mainly agricultural economy, but that means focusing on knowledge-intensive services and providing the workforce with the necessary education and training.

From Blue Collar to White Collar

In this section, the analysis shifts from business mix to occupational mix. An occupation is a person's job, regardless of the kind of business in which that job is performed.

Thirty years ago, the largest occupational segment in the South consisted of semiskilled blue-collar jobs such as factory machine operators and assembly workers. Nearly 17 percent of the Southern workforce was employed in such

Filling in the Jobs Picture

After services, retail, and manufacturing, government — including faculty and staff at public schools, colleges, and universities — ranks as the next largest job sector, employing about 15 percent of the workforce. Over the past two decades of population growth, state and local governments grew faster in the South than in the nation.

The South also grew faster than the nation in transportation, utilities, and wholesale trade — sectors that offer an array of desirable jobs in terms of pay and benefits. In air transportation and trucking and warehousing in particular, the South now has an above-average share of jobs.

In finance, insurance, and real estate (FIRE), the South matched the national growth rate in jobs since 1978. However, the region still trails the nation in this sector. The South has almost half a million fewer jobs in FIRE than would be expected if the structure of the Southern economy matched the nation's.

Farming has continued to shrink as a source of employment for Southerners. Farming accounted for only 2 percent of the South's jobs in 1997, down from 4 percent in 1978. Meanwhile, agricultural services, forestry, and fishing, while a relatively small sector in employment terms, has shown extremely rapid growth.

jobs, while another 10 percent worked in the lowest-skill blue-collar occupations — laborers, handlers, and helpers. By 1999, those two categories together accounted for only 15 percent of Southern workers.

Today, the largest occupation segment in the South consists of professional and technical workers — representing 17 percent of the workforce, up from 11 percent 30 years ago. While precision production and craft workers — the highest-skilled of blue-collar occupations — have remained roughly constant as a share of the workforce, administrative, sales, and service occupations have expanded rapidly in the region. *(Figure 11)*

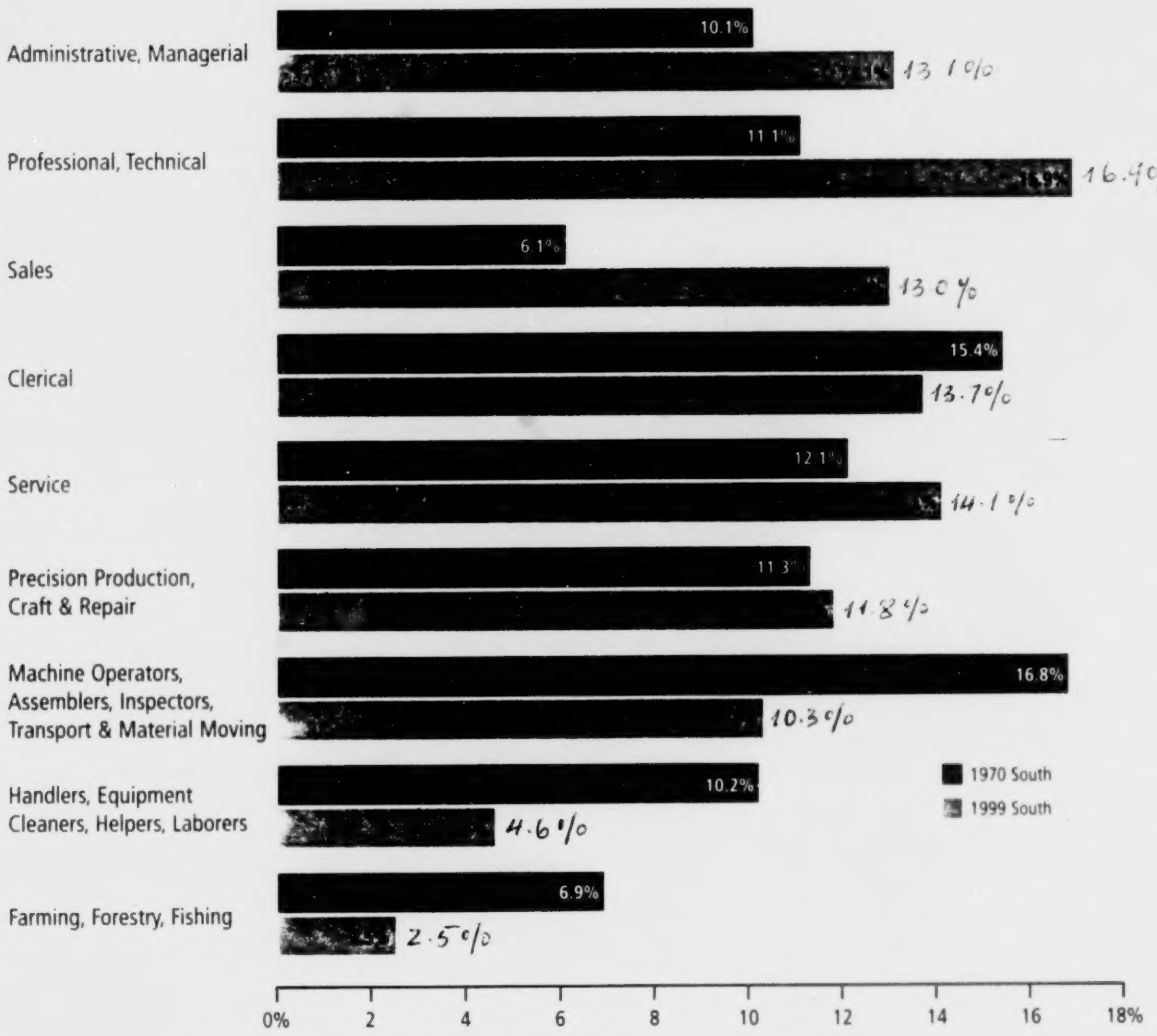
In a recent analysis of occupational projections, the Southern Rural Development Center developed two distinctly different top-20 lists. Look beyond the general shift in the South's occupational landscape, and you get a rather bifurcated picture:

- Look at the occupations with the highest *percentage* of growth, and you see mostly jobs in high-wage, high-skilled fields. Of the 20 "fastest growing" occupations, computer engineers lead the list. In this top-20 list, 12 occupations are in health fields. Seven are technical and professional occupations. More than half require at least an associate's degree or a bachelor's degree.

Figure 11

Shift from blue to white collar

Employment by occupation in the South, 1970 and 1999



Source: Current Population Survey, 1970 and 1999, Special Tabulations

Employment in most white-collar occupational groups — management, professional/technical, and sales — increased dramatically as a percentage of all jobs in the South. Service and high-skilled blue-collar jobs (precision production, craft, and repair) also increased. Employment in the lower-skilled blue-collar occupations (machine operators, laborers, and others) and farmwork decreased, as a percentage of all jobs, as did clerical work.

- Look at the occupations projected to have the highest actual number of new jobs in the near future, and you see large demand in low-end jobs. Of the 20 occupations projected to produce the "largest number of new jobs" by 2005, cashiers lead the list. In this top-20 list, there are a few occupations that require a bachelor's or associate's degree — general managers, registered nurses, and schoolteachers. But most occupations expected to generate large numbers of jobs in the next few years require only short-term training and offer rather low pay — retail salespersons, waiters and waitresses, janitors and house cleaners, nurses aides, truck drivers, and child-care workers. *(Figure 12)*

Contingent workers

In addition, today about three jobs in 10 are characterized by "nonstandard" or "contingent" work arrangements. This development has been fueled by the increasing use of outsourcing. As globalization has put new competitive pressures on business to reduce costs, many have turned to outsourcing work. Rather than create their own operating divisions, they contract with other companies or with individuals in the U.S. and abroad to perform certain functions. The result is that firms are more competitive, but there are more workers who lack benefit packages, job security, and career ladders.

Nonstandard or contingent work arrangements cross all occupational categories, from the high end to the low end. Some nonstandard workers are high earners, especially white men who are self-employed or independent contractors. Many more nonstandard workers, especially women and African Americans and Latinos, earn relatively low, even poverty-level, wages. Nonstandard workers are two to three times more likely than regular workers to fall into the lowest fifth of the wage scale; they seldom qualify for health insurance and pension plans, and they have little job security.

Global competition makes it more difficult to raise wages and increase benefits for low-skill workers who are plentiful worldwide. For the South, this suggests the need to shift policy emphasis from simply seeking more jobs to creating better jobs. It means ensuring that people in low-end jobs have mobility, opportunities to advance to better jobs. It means providing specialized training and opportunity for more people to obtain college degrees. It means ensuring that the region continues to produce and attract businesses that afford good jobs.

Figure 12

Many new jobs at low end

Occupations with largest projected number of new jobs in the South, by education level required, 1996-2005

Rank	Education Level Required			Job growth
	Associate's or Bachelor's degree	*Postsecondary vocational training or related work experience*	*Short-term on-the-job training*	
1			Cashiers	290,650
2			Retail Salespersons	263,150
3	General Managers & Top Executives			239,950
4			Waiters & Waitresses	231,400
5			Janitors & Cleaners	206,650
6	Registered Nurses			195,700
7			Truck Drivers, Light & Heavy	176,450
8		Marketing & Sales Worker Supervisors		168,000
9			Nursing Aides, Orderlies, & Attendants	160,300
10			General Office Clerks	137,050
11	Systems Analysts			136,250
12		Secretaries, Except Legal & Medical		135,500
13			Guards	123,300
14			Child Care Workers	116,000
15			Home Health Aides	114,200
16		Clerical Supervisors & Managers		113,000
17			Receptionists & Information Clerks	112,400
18	Teachers, Secondary School			111,950
19			Food Preparation Workers	103,950
20			Teacher Aides & Educational Assistants	103,000

Source: Southern Rural Development Center, 1999

Of the 20 occupations with the largest projected increase in the South, 13 are low-wage jobs that require no education beyond high school and only short-term on-the-job training. Just four of the job-heavy occupations require a college degree. Many of these low-end jobs offer little or no benefits such as health insurance and have very limited opportunity for advancement.

Above all, it means strong, sustained, redesigned, and reinvigorated systems to upgrade the skills and knowledge of the Southern workforce. Training and retraining are not only beneficial for workers, but an upgraded workforce is essential to the South's continued ability to play in the big leagues of the global, technological economy.

Faltering in IT

In its recent report, *Digital Economy 2000*, the U.S. Commerce Department declared that information technology industries are the "number one driver" of the national economy. Information technology could be the tool that would allow the Southern economy to skip over several stages of economic development, but in the IT development race, the South's stock car lacks horsepower.

Information technology has created new possibilities and new rules in the game of economic development, presenting both an opportunity and a challenge. The new economy requires ever-higher levels of business productivity and of education and continuous learning to generate that productivity. These are daunting challenges in a region where the IT infrastructure is not wholly in place and where too many people — especially African Americans and Latinos and rural residents — ended their education with a high school diploma or less. The South has the opportunity to leapfrog ahead and overcome the disadvantages of the past, but only if it acts quickly to provide more educational opportunities, raise digital literacy, and invest in up-to-date telecommunications access throughout the region.

All sectors of the economy, from manufacturing to services to government, increasingly rely on workers with computer and IT skills. Whether using the Internet to take orders from customers, using cell phones to conduct business on the move, or using computer-guided robots to lift spools of thread, many companies, even those not ordinarily considered high-tech, infuse the way they function and how their workers work with advanced technology.

In the overall employment picture, information technology jobs represent a rather modest proportion — but the sector is expanding rapidly. While IT industries' share of the economy has climbed to an estimated 8.3 percent, the Commerce report says they have contributed about 30 percent of U.S. economic growth since 1995. National employment in IT industries grew from 4 million in 1994 to 5.2 million in 1998.

Blacksburg, VA — Rural Community Seizes the Future

An initiative in Blacksburg, Virginia (pop. 36,000), offers a compelling example of how rural communities can gain access to new telecommunication technology and its accompanying economic benefit.

In 1991, the Communications Network Services Department of Virginia Polytechnic Institute and State University began researching ways to expand Internet access to the homes of faculty and staff members. Virginia Tech's vice president of information systems pushed for access to be extended to everyone in town. As a result, Virginia Tech partnered with the town of Blacksburg and Bell Atlantic Corporation to develop the Blacksburg Electronic Village (BEV).

Over the next two years, digital switching and fiber-optic equipment were installed throughout town, and BEV officially took off in the fall of 1993. At first, only dial-up access was offered, but a year later, ISDN and Ethernet connection also became available.

Just more than half of BEV users have personal modem access while others connect from the public access library or from offices, dorm rooms, or apartment units. Through BEV, residents can register for e-mail accounts, businesses and civic groups can develop their own Web sites, schools can organize newsgroups, and anyone can sign up for seminars on how to utilize the technology. In addition, the newly built Auburn Internet Training and Community Center in nearby Riner, VA, offers classes to citizens throughout Montgomery County.

A randomly distributed survey in 1999 revealed that 87 percent of Blacksburg residents use the Internet. This access has transformed life in the small community. More than two thirds of businesses in town use the Internet, and many have expanded their markets worldwide. School children use the increased access as an educational tool, and they have even done videoconferences to interact with students in other countries. Parents correspond with teachers via e-mail, and citizens fill out online surveys to offer their views on county proposals.

In 1997, BEV received a $266,000 grant from the U.S. Department of Commerce to replicate its program in other rural communities of Southwestern Virginia. The region has historically had an economic base of coal mining and textile manufacturing, but many mines and factories have shut down over the past 20 years. BEV staff members have helped communities in several surrounding counties plan for a shift toward an economy enabled by telecommunications and new technology, creating new on-ramps to the information highway.

Through these efforts, Virginia Tech and the surrounding Blacksburg region are known as a national leader in the development of telecommunications technology. The newest advances in broadband switching and routing are being implemented in the Blacksburg area, and the Center for Wireless Communications at Virginia Tech has acquired federal licenses that will allow the university to make large portions of rural Virginia, North Carolina, and Tennessee a test area for advanced wireless communications.

Some places in the South — Austin and the Research Triangle, for example — are helping to drive this national growth. But the region as a whole has cause for concern about its ability to compete in and to take full advantage of the new global, information-oriented economy.

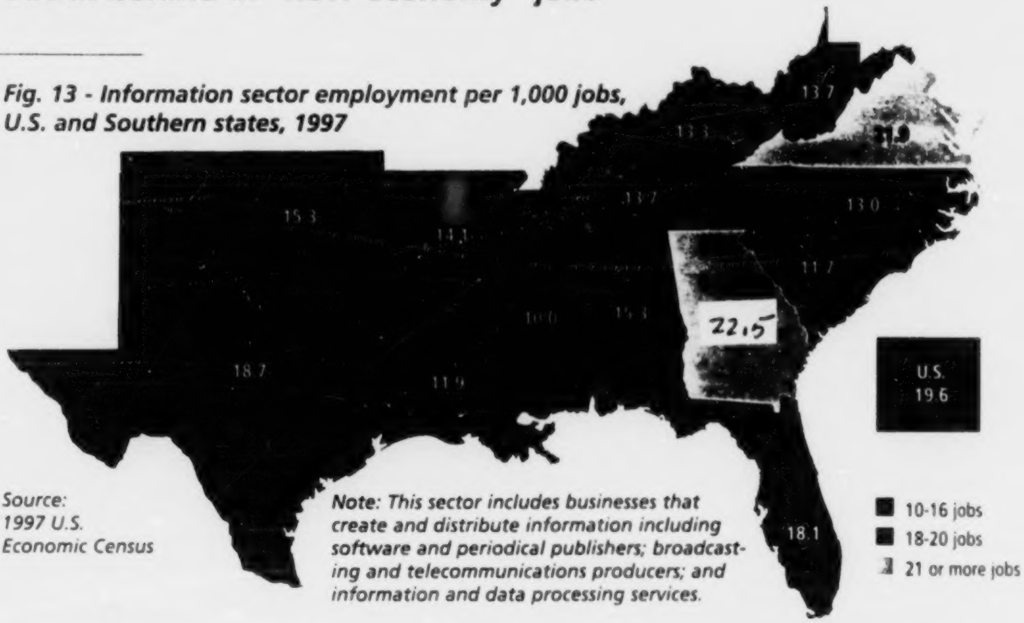
A scan of the South's standing in several measures of preparedness for the new economy presents a sobering picture:

- In the newly defined "information" sector, only Florida and Virginia exceed the national rate in employment per 1,000 jobs, with Texas close to the U.S. level. *(Figure 13)*
- In the "professional, scientific, and technical" sector, only Georgia and Virginia exceed the national rate of employment, and Virginia does so by more than 10 percentage points. Florida and Texas are near the national rate. *(Figure 14)*
- Four core IT occupations — computer scientists, computer engineers, systems analysts, and computer programmers — are among the fastest-growing occupations in the U.S. Occupational projections from 1996 to 2006 show that the South falls short of anticipated national growth in all but three states: Georgia, Virginia, and North Carolina. *(Figure 15)*
- In the most recent listing of employment in high-tech industries (as defined by the American Electric Association), only three Southern states — Virginia, Texas, and Georgia — ranked at or above the U.S. average in high-tech workers per 1,000 private sector employees. Six of the bottom-10 states are in the South. *(Figure 16)*
- In per capita expenditures on research and development, all Southern states fell below the national average in 1997. Only North Carolina and Florida came within $200 of the U.S. average of $789 per capita in R&D spending, but that still leaves them spending only 75 percent of the national average. *(Figure 17)*

This is not a picture of a region on the cutting edge, and the situation for rural areas is, in general, more dire than in metropolitan areas. For all that the South has accomplished over the past 20 years to improve its competitiveness, the onrushing global economy won't allow for resting on laurels. Economic development and educational strategies designed to have the South play catch-up in the industrial age require a serious upgrading to make the region — including its rural areas — prepared for, connected to, and competitive in the knowledge economy.

South behind in "new economy" jobs

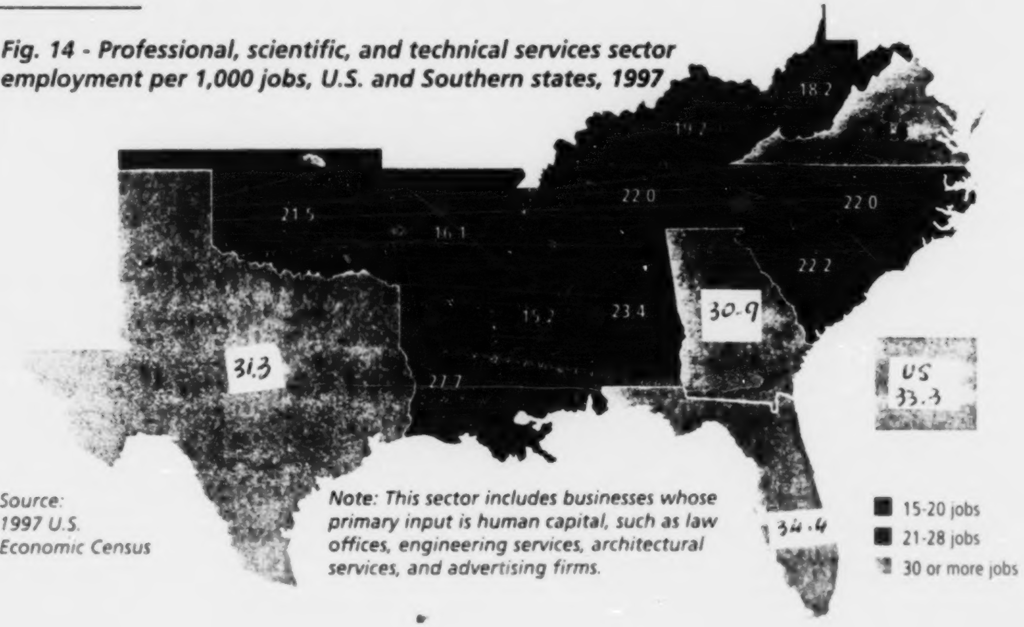
Fig. 13 - Information sector employment per 1,000 jobs, U.S. and Southern states, 1997


13.7
13.3
15.3
14.1
13.7
13.0
11.7
10.0
15.3
22.5
18.7
11.9
18.1
U.S.
19.6
10-16 jobs
18-20 jobs
21 or more jobs

Source: 1997 U.S. Economic Census

Note: This sector includes businesses that create and distribute information including software and periodical publishers; broadcasting and telecommunications producers; and information and data processing services.

Fig. 14 - Professional, scientific, and technical services sector employment per 1,000 jobs, U.S. and Southern states, 1997


18.2
19.2
22.0
22.0
21.5
16.1
22.2
15.2
23.4
30.9
31.3
27.7
US
33.3
34.4
15-20 jobs
21-28 jobs
30 or more jobs

Source: 1997 U.S. Economic Census

Note: This sector includes businesses whose primary input is human capital, such as law offices, engineering services, architectural services, and advertising firms.

In two key "new-economy" sectors (as defined by the new North American Industrial Classification System, or NAICS), employment in the South is well below the U.S. average. Only two Southern states — Georgia and Virginia — surpass the U.S. in Information jobs. Only Florida and Virginia surpass the U.S. average in Professional, Scientific, and Technical jobs. These sectors represent opportunities for improving the region's competitive position.

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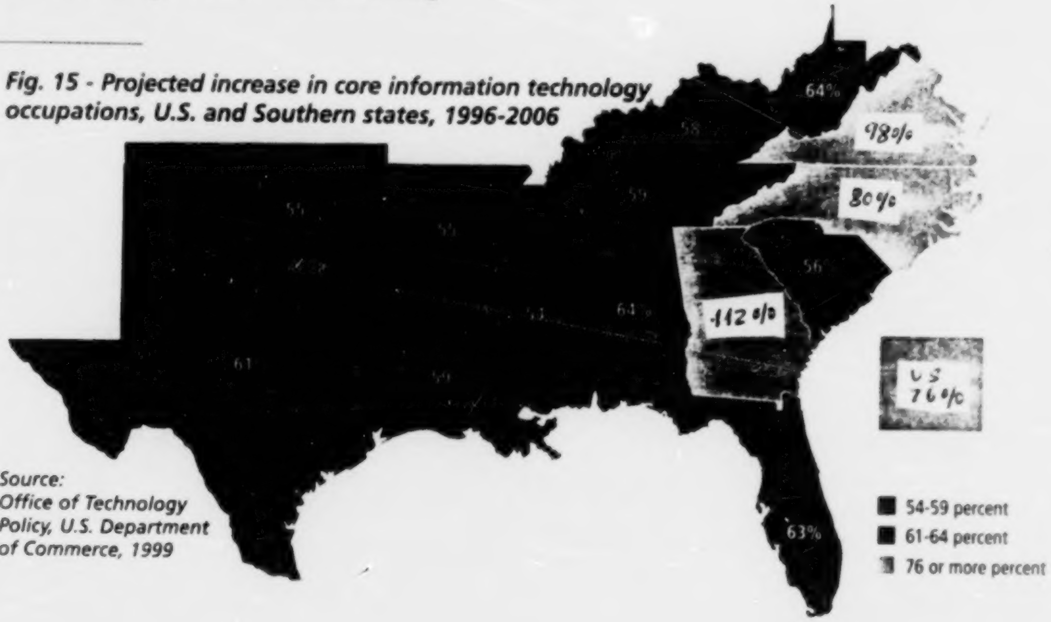
Figures 15 & 16

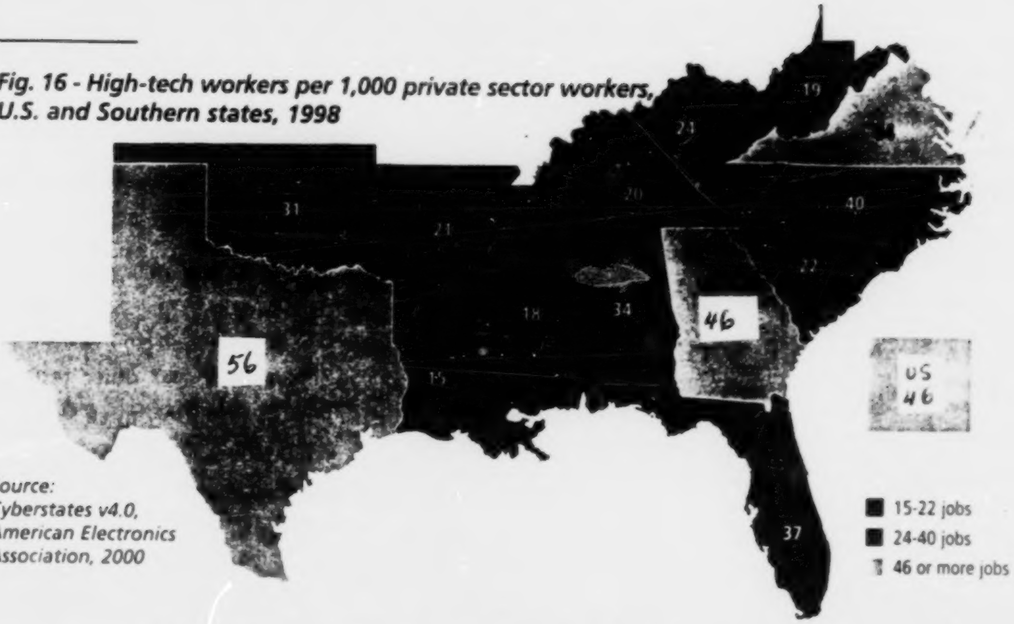
IT and high-tech sectors lag

Fig. 15 - Projected increase in core information technology occupations, U.S. and Southern states, 1996-2006


64%
98%
80%
55
55
59
56
64%
112%
61
59
US 76%
63%
54-59 percent
61-64 percent
76 or more percent

Source:
Office of Technology Policy, U.S. Department of Commerce, 1999

Fig. 16 - High-tech workers per 1,000 private sector workers, U.S. and Southern states, 1998


19
24
20
40
31
21
22
18
34
46
56
15
US 46
37
15-22 jobs
24-40 jobs
46 or more jobs

Source:
Cyberstates v4.0, American Electronics Association, 2000

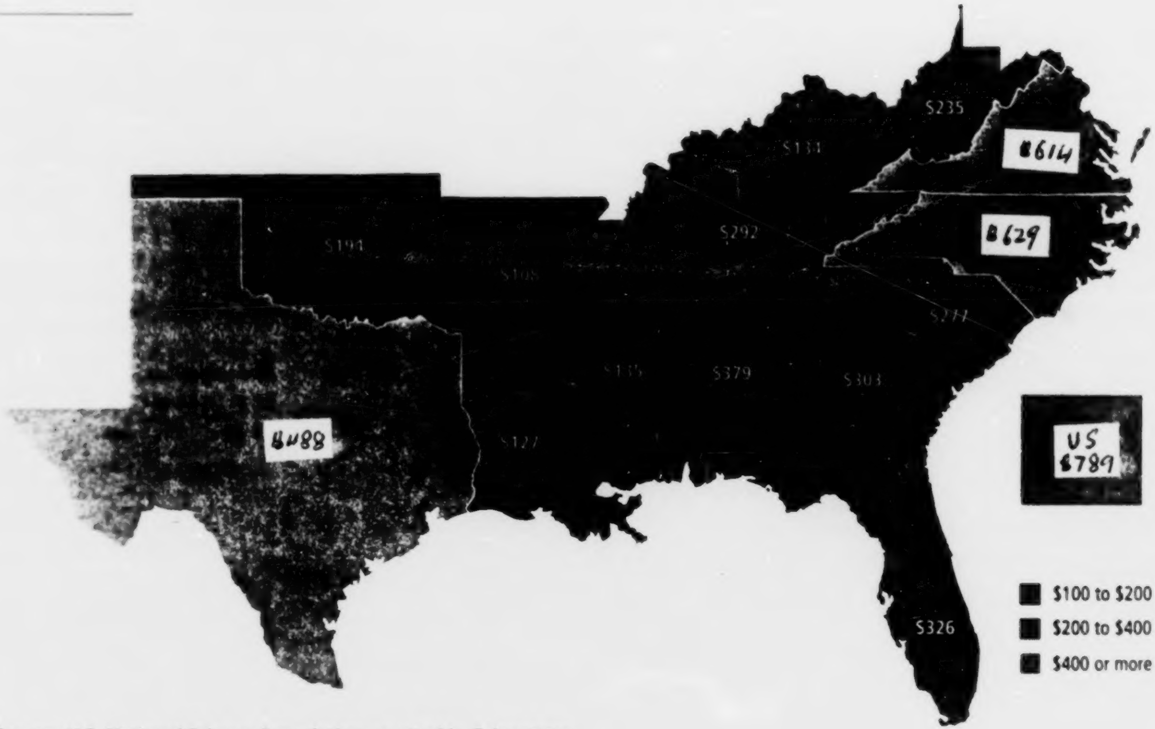
Core information technology jobs — computer scientists, computer engineers, systems analysts, and computer programmers — are among the fastest-growing occupations nationally, and they fuel the growth of many types of businesses. In just 10 years, these jobs are projected to grow by 76 percent in the U.S. In the South, GA, NC, and VA are above the U.S. average. In half the Southern states, projections show these jobs will increase by less than 60 percent.

The South also has a below-average share of high-tech workers: high-tech manufacturing, communications services, and software and computer-related services. Only TX and VA are above the U.S. average, and six Southern states have less than half as many high-tech workers per 1,000 as the U.S.

Figure 17

South short on R&D

Research and development expenditures per capita, U.S. and Southern states, 1997


$235
$131
$614
$629
$194
$108
$292
$277
$135
$379
$303
$488
$127
US $789
$326
■ $100 to $200
■ $200 to $400
■ $400 or more

Source: U.S. National Science Foundation, as cited in Cyberstates v4.0, American Electronics Association, 2000

Total R&D expenditure in the U.S. (including expenditure by the federal government, industry, universities, and other research centers) was nearly $800 per capita in 1997. Only three Southern states — NC, VA, and TX — exceeded $400 per capita. Research and development spending is an indicator of where new technology will be developed to spark economic growth in the future.

Can't Stop Now

For much of the 20th Century, the South looked like an underdeveloped country, relying on agriculture, extraction of raw materials, and routine manufacturing while being fueled by capital and technology from elsewhere. Today, with the region resembling more nearly the rest of the United States, the South has grown markedly stronger as a generator of entrepreneurship, innovation, and wealth. But the region hasn't completely shorn itself of its low-wage, low-skill legacy. The past hangs heavy as the future beckons.

A bundle of forces — technological change, global flows of people and products, rising affluence, and expanded education — have helped transform the region. The South has changed dramatically — and more change is on the way. The global economy will continue to foment change.

The process of "creative destruction" — a classic definition of capitalism — continues to work its way through the South's economy. The process continuously creates new jobs and destroys old ones.

The forces of creation have opened new economic opportunities to many Southerners — so long as they commit themselves to the "excellence" that Walker Percy rightly said is the name of the game. The route to excellence runs through education.

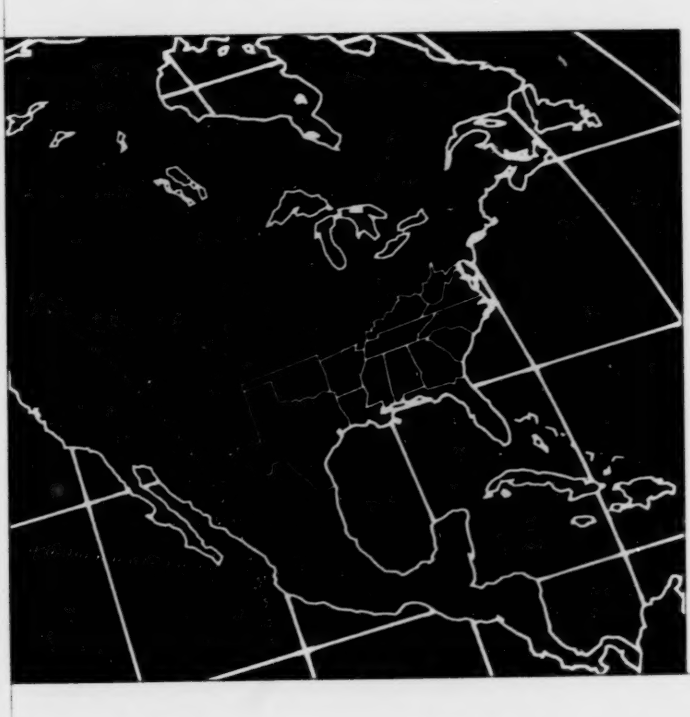
The forces of destruction, however, have made the future more uncertain for some of the South's most vulnerable people and places. The challenge now is for the South to foster the creation of better jobs and to dissolve the distress that has its roots in its long era as an underdeveloped region.

People and Communities in the South

Characteristic	What We Were 1960s	What We Are	What We Could Be
Population Age	- Younger population and workforce; high birth rates	- Middle-aged population and workforce - Improved health, longer life expectancy	- Aging population with longer life span and even better health - Longer work-life expectancy
Migration / Immigration	- Poor employment opportunities lead to heavy out-migration	- Better employment opportunities attract highly educated migrants and immigrants, as well as the undereducated - Employers recruit immigrants for high-skill and low-skill work	- Young immigrants fill gaps in the age structure of the native-born population
Race / Ethnicity	- Black and white population; few foreigners	- Growing ethnic diversity - White population growth slows	- Southerners welcome diversity, and value the innovation and creativity it can foster
Education and literacy	- Most adults have only elementary education; high rate of illiteracy	- Most adults have completed high school; functional illiteracy remains common	- Lifelong learning is widespread - Critical, creative thinkers predominate in all walks of life - Firms invest in training for all workers
Women	- Low labor force participation; occupations limited; low pay	- More women work, in a wider variety of jobs; women still earn less than men, although they surpass men in college-going	- Gender parity in wages and occupational opportunity
African Americans and Latinos	- Segregated workforce, segregated schools	- Legal segregation ends, but big gap persists between African Americans and Latinos and whites in education, income, and wealth	- Parity among African Americans, Latinos, and whites in educational attainment and the labor market
Rural vs. urban communities	- Farming economy, insular communities - Rural areas dominate politics and the economy	- Metro areas rise in growth and influence - Rural economic base includes small manufacturing, small business, amenities, tourism	- Metro areas remain growth centers for population and employment - Rural areas with positive civic culture, healthy natural environments, and improved telecommunications blossom
Growth nodes	- River, seaport, and train station cities	- Knowledge centers thrive; economic success hinges more on brain power than raw materials or labor - Suburbanization and sprawl	- Southern cities with strong universities, positive civic culture, and cultural amenities help drive the national economy - Cities are highly livable despite growth
Institutions	- Weak schools - Pockets of excellence in universities - Poor health facilities - Too little philanthropy	- Improved schools and universities - Better health facilities - Increasing but inadequate philanthropy and community reinvestment	- Positive civic culture; community collaboration; innovative, responsive state and local government - World-class schools and universities - World-class health centers - Ample philanthropy and community reinvestment
Infrastructure	- Playing "catch-up" with basic infrastructure	- Telecommunications and "logistics" infrastructure become essential for development - Inadequate air transportation - Inadequate surface transportation in some booming cities and rural areas	- Telecommunications infrastructure is accessible in all communities, and people have the "IT literacy" needed to use it - Southern cities have international transportation facilities and modern logistics centers

Chapter 3

Global Forces, Local Implications



> *That kind of travel made you conscious of borders; you rode ready for them. Crossing a river, crossing a county line, crossing a state line — especially crossing the line you couldn't see but knew was there, between the South and the North — you could draw a breath and feel the difference.*
>
> — Eudora Welty

A strong sense of place has long characterized the South. Connection to place is not unique to this region, but home and family, as well as the land and community in which they are located, have a special emotional pull on many Southerners.

The forces of globalization and technology, however, are eroding, even erasing, old boundaries. Goods, capital, and ideas move more freely over local, state, and national borders, but neither sender nor receiver is as conscious of the crossings as Eudora Welty was during her summer automobile trips with her parents. Moreover, millions of people have moved — and continue to move — to the South from across the country and the world for the basic reason that has driven people from place to place from time immemorial: to seek a better life, a better living.

Globalization has local consequences. The new global economy lifts some places up and leaves some behind. It is lifting up in particular a group of cities, several in the South, ignited by a potent mix of technology-laced industries, high-quality universities, and new-ideas people. These "new-economy" cities now serve as the booster rockets of the South's economic rise.

Meantime, the long-standing urban/rural divide has shifted. Some rural communities, particularly along the coasts or near major metropolitan areas, have experienced an economic rebirth. But many other rural communities, not well connected to the new economy, have fallen further behind.

Think of the South's economy as you would think of Southern food — distinct differences amid a common regional flavor. Louisianians boil crawfish. Arkansans fry catfish. While to most Southerners barbecue is both a noun and a verb, Texans like theirs beef, North Carolinians favor pork. While Southern communities, both rural and urban, continue to deal with the legacies of racial discrimination and inadequate education, globalization and technology are making subregions of the South increasingly distinct from each other.

The pace of change is accelerating, and the South faces the dual challenge of hastening its march into the complex, global economy even as the region continues to address long-standing issues of poverty, race, and education.

Global Cities

Globalization and technology have stimulated a reorganization of the way many businesses work. Simultaneously, these forces have also propelled the development of a certain type of city, with robust high-technology businesses and explosive job and population growth.

Indeed, the South's prosperity increasingly depends on the health and vitality of its new-economy cities. These are cities that have jettisoned the old-South dependence on natural resource-based industries, and they now develop the knowledge, products, and services that drive the economy.

The term "new-economy" city refers to the amalgam of core city, suburbs, office-and-research parks, and nearby towns that form a unified economic entity. A new-economy city sprawls across traditional municipal, county, and even state boundaries. To set them apart from other metropolitan areas, some scholars call them "city-regions," in an echo of the classical city-states, but without the benefit of common identity. They have become not only sprawling metropolitan areas but also regional powerhouses of education, culture, and entrepreneurship. Such urbanization and economy-driving cities are not something exclusive to the South or the U.S. — they are a global phenomenon.

State growth, these days, is inextricably linked to metropolitan growth. Across the South, metropolitan growth is being fueled by global forces and by the tendency of a robust economy to generate more opportunities and attract more people.

Of the 17.7 million jobs that the South has gained since 1978, metro areas accounted for fully 15 million. In the South, the place to find a job is in a metropolitan region. *(Figure 18)* In 1997, the South's metro areas provided 60 jobs per 100 residents, while rural areas had only 48 jobs per 100 people.

While metropolitan growth leads the way across the South, the stepped-up activity of the new-economy cities has resulted in their surging ahead of other metro areas in the region. These cities build upon their assets, including geographic and cultural amenities, to form pulsing metropolitan complexes of a scale, historically speaking, new to the South.

In Austin, Orlando, West Palm Beach, Raleigh-Durham-Chapel Hill, and Atlanta — all of which now have 500,000 or more jobs — employment has jumped more than 100 percent since 1978. Six other metro areas in the South had employment growth between 70 percent and 99 percent. By contrast, U.S. metro employment growth was 45 percent in that period. *(Figure 19)*

Prerequisites for Prosperity

Why have certain cities thrived in this economy and vaulted ahead of their Southern urban cousins?

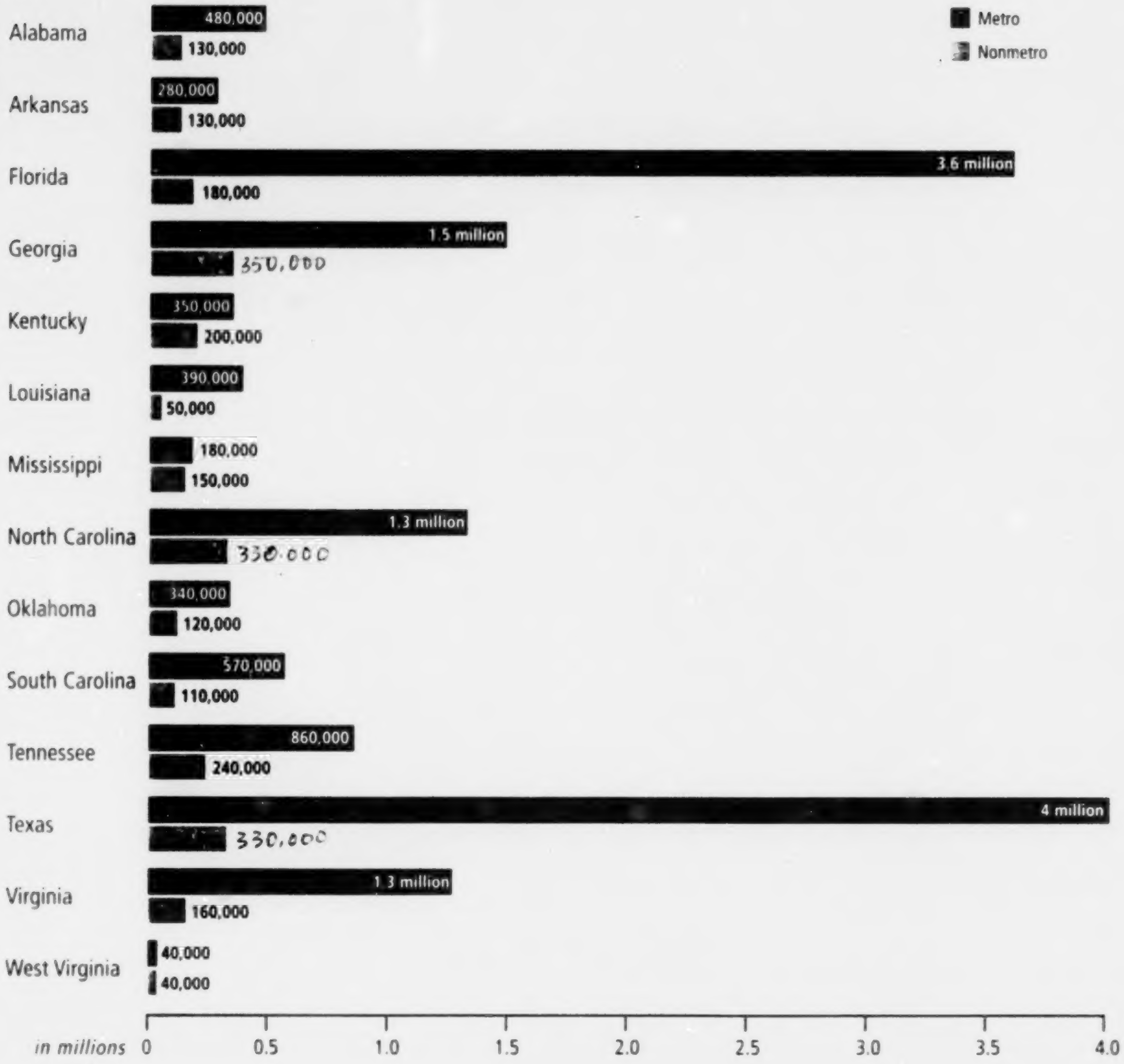
A key ingredient is leadership with a vision for the future. Sometimes the leadership has come from elected governmental officials, sometimes from entrepreneurs and business executives who launch products or services that triumph in the globalized environment. Positive, visionary leadership is crucial, and so are the capacity to innovate and the willingness to embrace change.

Leadership can be augmented by a healthy civic climate. Breaking down racial and social barriers that stand in the way of equity and opportunity has helped much of the South to thrive. A vigorous network of voluntary citizen-institutions and nonprofit agencies serves to enrich a city's vitality.

Figure 18

Cities fuel job growth

Increase in number of jobs in the Southern states, metro and nonmetro, 1978-97



Source: BEA Regional Economic Information System, U.S. Department of Commerce, 1999

Job growth indicates economic vitality, and all across the South, new jobs are burgeoning in metropolitan areas. Florida and Texas, with their large metro populations, lead the way. In most other states as well, employment growth in metro areas overshadows the increases in the rural areas.

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Figure 19

"New-economy" cities lead the way

*Employment growth in the South's largest metropolitan areas, 1978-97**

	# of jobs, 1978	# of jobs, 1997	% Change
Orlando	374,684	938,944	150.6%
Austin-San Marcos	**290,736**	**726,712**	**150.0%**
West Palm Beach-Boca Raton	254,293	562,630	121.3%
Raleigh-Durham-Chapel Hill	**354,638**	**756,420**	**113.3%**
Atlanta	1,177,999	2,418,795	105.3%
Tampa-St. Petersburg-Clearwater	**644,433**	**1,283,460**	**99.2%**
Dallas-Fort Worth	1,619,271	3,105,250	91.8%
Nashville	**445,059**	**815,101**	**83.1%**
Jacksonville	363,753	660,385	81.5%
San Antonio	**492,546**	**870,683**	**76.8%**
Charlotte-Gastonia-Rock Hill	528,405	909,908	72.2%
Houston-Galveston-Brazoria	**1,621,510**	**2,584,328**	**59.4%**
Miami-Fort Lauderdale	1,229,583	1,930,708	57.0%
Greensboro-Winston Salem-High Point	**520,887**	**780,716**	**49.9%**
Greenville-Spartanburg-Anderson	378,267	564,045	49.1%
United States Metro Total	**88,485,677**	**128,723,093**	**45.5%**
Norfolk-Virginia Beach-Newport News	634,723	920,119	45.0%
Memphis	**480,106**	**693,846**	**44.5%**
Richmond-Petersburg	442,504	638,129	44.2%
Oklahoma City	**462,232**	**648,358**	**40.3%**
Birmingham	402,195	549,012	36.5%
Louisville	**489,374**	**643,086**	**31.4%**
New Orleans	639,977	751,110	17.4%

* *Metropolitan areas with 500,000+ jobs*

Source: BEA Regional Economic Information System, U.S. Department of Commerce, 1999

The South's new-economy cities grew at a rate well above the U.S. metro average. Cities with more traditional economies have had slower job growth.

Why Austin? Leadership

Just 10 years ago, Austin was considered a comfortable government town. The good jobs were with the state or at the University of Texas. Rents were cheap. The cost of living was below the national average.

Now 30,000 people a year are coming into a new economy city that is regularly listed among the best places in the country to do business.

The problem in Austin isn't money — venture capital firms are pouring over a billion dollars a year into local companies. The greatest difficulty is finding talented people to fill the highly skilled, highly paid jobs that businesses are creating. And a soaring cost of living has made Austin the most expensive city in Texas, driving out people who aren't employed by new firms that are revitalizing downtown.

The creation stories for Austin's high-tech rebirth abound. Local leadership, the chamber of commerce, the region's eccentric, tolerant culture, and the university with its excellent research programs and well-educated students all make a claim. All probably deserve credit. For the past century, Austin's leadership saw the town as a place dedicated to intellectual pursuits and that was the kind of economy the city sought to create.

At the same time, Austin became the place creative, quirky Texans came to live — an "oasis in a redneck desert," one resident called it. When the economy began rewarding talent, ideas, and high quality of life rather than machines and natural resources, Austin's leadership had the city ready.

Everybody benefits in high-tech towns like Austin — but a few benefit a great deal more than everybody else. In the 1990s, the distribution of income in Austin grew starkly more unequal. In 1990 the top 10 percent of workers earned 5.2 times more than the bottom 10 percent. By the end of 1999 that ratio had increased to 11.1 to one. Now Austin's leadership has put a citizens committee to work on addressing the problems associated with income disparity.

New-economy cities are often characterized by the phenomenon of clustering. Like attracts like; thus, clustering takes place as similar businesses locate near each other. Clustering attracts people with special skills and suppliers geared toward a particular sector. It sparks the development of banks, educational institutions, and skilled workers capable of serving the cluster. Consequently, while sharing key traits, new-economy cities tend to have their own identities.

Austin and Raleigh-Durham-Chapel Hill were among the fastest-growing centers in the South from 1978 to 1997. Both qualify as knowledge-intensive cities that are home to major research universities and corporations attracted to or created by the area's talent. The modern economy favors centers of "thinking," which abound with activity around research and development, and the development of products built on knowledge and the most recent technology.

Other growth centers have built their economies based on sophisticated manufacturing with a high-tech focus and an above-average influx of foreign direct investment. An example is Greenville-Spartanburg-Anderson, where employment growth was above the national average from 1978 to 1997.

Some new-economy cities revolve around trade. Miami-Fort Lauderdale is a global trader, importing capital and talent from Latin America while importing and exporting goods from around the world. Charlotte has emerged as an international center of banking. Both had above-average employment growth in the 1980s and 90s.

Atlanta and Dallas-Fort Worth, two of the South's booming international metros, combine aspects of manufacturing and trading. Both feature major airports that serve as vital logistics centers of linking people and exchanging commerce — and both have built solid bases of new-economy businesses.

The nation's — as well as the South's — increasing prosperity has fueled the travel, tourism, and entertainment sectors. Amusement industries have given a huge boost to the growth of some Southern cities, in particular Nashville and Orlando. These two cities have leveraged their strength in tourism and entertainment to diversify into other high-tech, high-growth sectors.

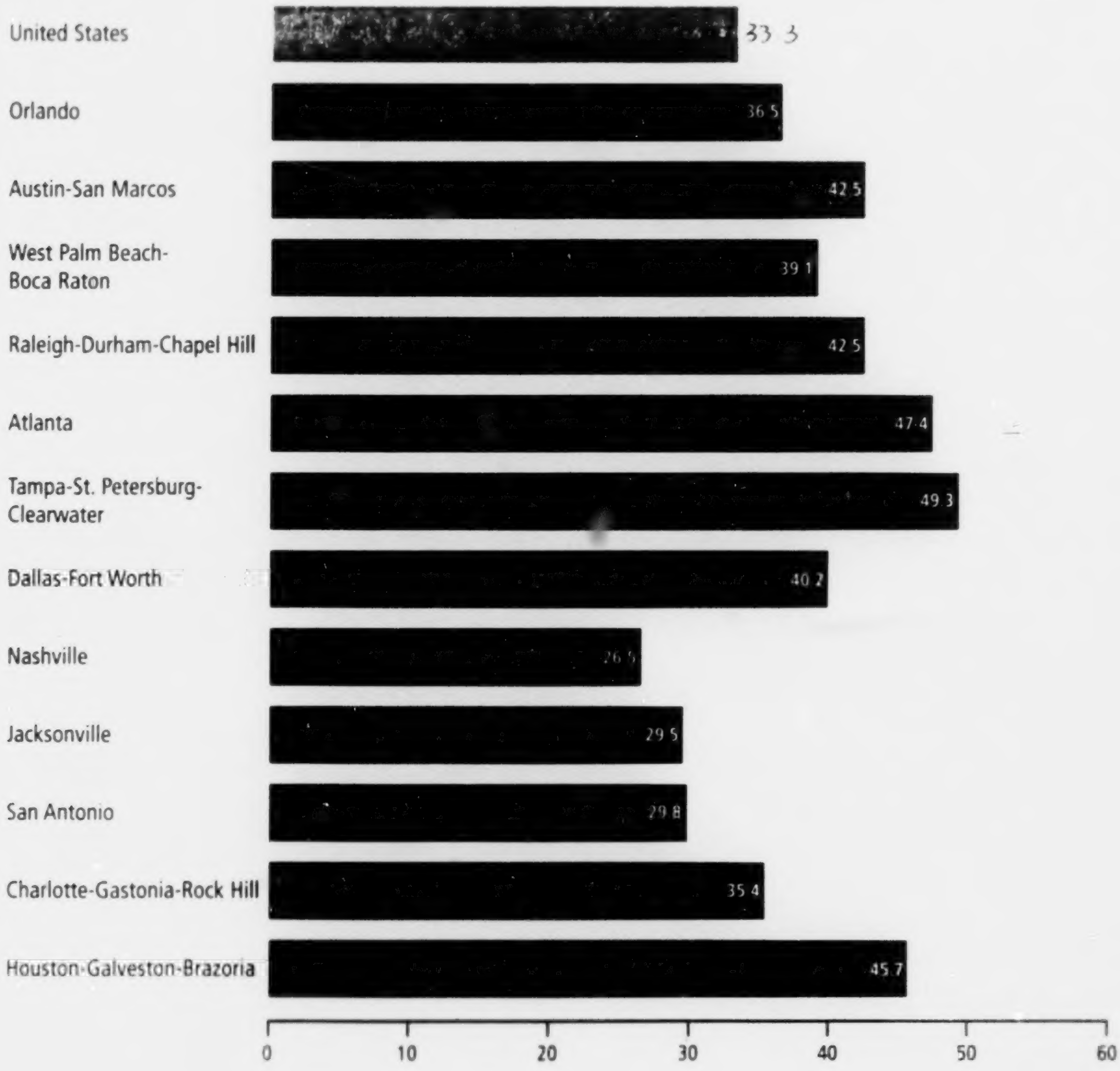
It is more than coincidental that a number of the region's fast-growing metro areas have a high concentration of professional, scientific, and technical jobs. Whether they derive their competitive advantage from research and development, trade and banking, or high-tech manufacturing, their economies rely heavily on professional, scientific, and technical services. Six of the South's largest metro areas now have 40 or more people engaged in such well-paying, high-skill jobs per 1,000 workers — well above the U.S. rate of 33 per 1,000 workers. *(Figure 20)*

Whether specializing in enterprises of thinking, making things, trading, or entertaining, the new-economy cities have shifted away from traditional industries and have increased prosperity by engaging in nontraditional and emerging businesses. They have changed what they produce and how they produce by embracing knowledge and technology. The more Southern cities position themselves to take advantage of technological developments, the greater will be the South's share of new-economy cities.

Figure 20

High-growth cities, high-tech services

Professional, scientific, and technical services employment per 1,000 jobs in the South's largest metro areas, 1997



Source: 1997 U.S. Economic Census

Many of the South's fastest-growing mega-metro areas have a high proportion of jobs in this new sector, defined by the North American Industrial Classification System (NAICS). These jobs are generated by high-tech urban businesses, and as they grow they further strengthen the foundation for economic development in their city.

Chattanooga, TN — The City that Civic Engagement Rebuilt

Chattanooga, Tennessee (pop. 148,820), is a dramatic model of civic collaboration in pursuit of revitalization.

In 1969, a federal agency declared Chattanooga "the dirtiest city in America." Pollution spewing from TNT factories and steel foundries routinely turned the sky orange, and cars had to keep their headlights on through the day to navigate in the smog.

In 1981, the Lyndhurst Foundation provided funds for University of Tennessee architecture professor Stroud Watson to set up an urban design center downtown. Watson and his students began to promote sustainable development as the way to reverse the fortunes of Chattanooga. A nonprofit organization, Chattanooga Venture, resulted in 1984.

Chattanooga Venture embarked on the Vision 2000 project, holding a 20-week series of open town meetings that attracted more than 1,700 residents who worked with civic and business leaders to fashion an agenda of sustainable development goals and priorities. Chief among the residents' concerns was cleaning the air. As a result, citizens replaced industry representatives on the local Air Pollution Control Board, which then began requiring filters for smokestacks and banning visible auto emissions. By 1989, Chattanooga was in full compliance with all federal air quality standards.

Another principal goal became the revitalization of the downtown area near the river. Residents saw the river as the city's most prominent asset, but the waterfront had been largely abandoned. The city paid to overhaul the sewer system that had been polluting the river, and a new Riverwalk was built. The historic Tivoli Theater was renovated and the Tennessee Aquarium and a children's museum were built.

The downtown waterfront now attracts more than a million tourists per year. Chattanooga identified its potential assets and successfully reoriented its economic base from that of a faltering manufacturing city to a diversified economy with a large tourism component. In addition, local, state, and federal grants made possible the development of a mass transit system of locally built electric buses, furthering Chattanooga's ambiance and job growth without threatening their environmental progress.

Critically, this development has also not come at the expense of the city's low-income residents. The downtown revitalization has provided a multitude of employment opportunities, and Chattanooga Neighborhood Enterprise (CNE) was formed to help the elderly and the poor rebuild and buy homes. In 1999, CNE made more than $30 million in loans, more than any other similar nonprofit organization in the country. Most of the money went toward affordable housing, but approximately 20 percent was for the development of commercial enterprises in low-income neighborhoods.

Rural Communities Under Stress

Just as different metro areas have been affected differently by the global economy, rural communities have not been affected the same way, nor have they all reacted the same way. This is not just an issue in the South, but around the world. Some rural communities have grown rapidly, especially those that are vacation or retirement destinations and those near a thriving metro area. In many cases, formerly rural communities have been absorbed into metro areas and are sharing in their prosperity.

Most other rural communities, especially those off major highways and with lagging telecommunications capacity, are not sharing in the 90s booming economy's prosperity. Just as urbanization is a global trend, so is rural decline. In the South, traditional manufacturing remains a major source of employment, and the decline in traditional manufacturing has hit rural communities particularly hard. Nearly half of the region's losses in manufacturing jobs since 1979 have taken place in rural counties.

Rural plant closings and job cutbacks have accelerated as a result of two major forces: first, the adoption of new technologies that increase productivity of labor and reduce the amount of labor needed, especially low-skill labor; and second, new international trade agreements resulting in the shifting of factory work to developing countries.

To be sure, there has been a modest measure of job growth in the rural South, but that growth is substantially slower than in urban/suburban areas. And while the metro South grew much faster than the metro U.S., job growth in the nonmetro South has trailed the U.S. nonmetro rate since 1978. *(Figure 21)*

Figure 21

Percent job growth, metro vs. nonmetro for South and U.S., 1978-97

	Metro	Nonmetro
United States	45.5%	30.3%
South	63.7%	28.9%

Source: BEA Regional Economic Information System, U.S. Department of Commerce, 1999

In decades past, manufacturers sought out locations for plants in the rural South where land was cheap and labor low-skilled, low-cost, and abundant. Today the competitive strength of U.S. manufacturing relies more on design, marketing, and technology than on low-cost production. These elements of manufacturing are concentrated in cities, where one in four manufacturing jobs is now managerial or professional.

Low-skilled rural labor, once a draw, has become a disadvantage. As recently as the 1980s, Southern counties where fewer than seven out of 10 adults had completed high school gained manufacturing jobs. But, by the 1990s, rural manufacturing was shifting to counties with higher education attainment: The fastest growth in manufacturing jobs was in counties where at least eight out of 10 adults had a high school diploma.

In the 1990s, manufacturing that relied upon low-education labor increasingly moved to developing countries rather than to the rural South. Meanwhile, manufacturers in the rural South heightened their competitiveness by adopting new technology, hiring fewer, yet higher-skilled workers, and increasing their exports.

Unless steps are taken quickly to connect countryside counties to the new economy, many rural communities will confront multiple disadvantages, including the following:

1. The rural South has long been highly dependent on traditional manufacturing, which is shedding jobs.
2. Low education levels bedevil the rural South at precisely the moment when economic development depends more than ever on a higher-skilled workforce.
3. The digital divide hits the rural South hard.

Digital Divides, Educational Divides

Along with the loss of manufacturing jobs, modern technology and the global economy have brought new options to rural areas. Telecommunications, for example, allows market research call centers to locate in former Appalachian coal towns. Infrastructure development has long been a path to economic development for rural areas. But, in the global economy, the roads leading toward progress do not all come paved with asphalt — the newest roads are electronic.

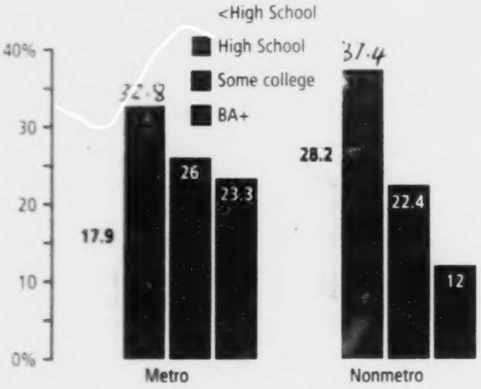
The 21st Century battle for economic opportunity is going to hinge on digital preparedness and digital literacy. It is important to note that the South as a whole is not well prepared for the digital economy even with the burgeoning of new-economy cities. The South has the lowest proportion of residents using the Internet and the fewest households with e-mail of any region of the United States.

Within the South, the digital divide hits rural communities especially hard. Distance and low population density make digital infrastructure more expensive to build in rural areas. Rural households are less likely to own computers than their metro counterparts and even less likely to use the Internet. Low income and low education also make for low computer ownership. These factors combine to give households in the rural South, along with the inner-city Northeast, the lowest level of home e-mail access in the country.

These indicators of a digital divide point to a broader issue. It is important that rural people become familiar with and comfortable in using information technology. But beyond home use of the Internet, it is critical that rural businesses have access to affordable, broadband connectivity. Rural communities need the connections essential to do business in the new economy. Major corporations, as well as government, are increasingly shifting to e-commerce and firm-wide IT applications, and rural businesses can't keep up in the new economy without business-to-business, or business-to-government, electronic connections. Rural areas are at risk of falling even farther behind economically due to information technology deficiencies.

Figure 22

Educational attainment, metro and nonmetro, Census South, 1998, ages 18+



Source: Current Population Survey, March 1998

Even if such technological challenges are met, all the opportunity in the world won't help a struggling community if its workforce is ill prepared for it. Education levels in the rural South do not bode well for the region's future.

Among rural Southerners 18 years and older, there are more high school dropouts than college graduates. Nearly three in 10 have less than a high school education, while only 12 percent have a bachelor's degree. In the metro South, the reverse is true: There are more college graduates than high school dropouts. All told, fully half of adults in the urban South have some education beyond high school, compared to one in three rural adults. *(Figure 22)* The rural South's educational deficiencies lead to poor jobs — or jobs that flee — and stymie economic progress.

More Southerners, from All Over

The modern South's shift from a rural region to an urban/suburban region is reinforced by millions of people flowing in from other parts of the U.S. and from around the world. Having outpaced the nation in its rate of job creation, the South has also gained population at a faster rate than the nation as the lure of jobs has attracted more people. As people continue to flow into the South, they inexorably mix with — and redefine — its culture.

Since 1978, the population of the South has risen by more than 20 million. The region's population growth rate — 30 percent — nearly doubled that of the rest of the nation. Most newcomers choose to live in or near cities — and immigrants even more so than domestic migrants. During the 1995-97 period, more than 90 percent of immigrants to the South moved to a metropolitan area.

Growth among the states, however, has been far from uniform. Of the 14 Southern states, only six — four Atlantic Seaboard states plus Texas and Tennessee — had population increases above the national rate of 21 percent. Indeed, two states — Texas and Florida — accounted for more than half of the South's population growth in the 1980s and 90s. *(Figure 23)*

The majority of recent newcomers to the South have come from other regions of the U.S. During the 1990s, about 8.6 million people moved to the South, while 5.8 million headed out to other regions of the country — for a 2.8 million increase in the South. In 1997-98, the last year for which data are available, the South gained 230,000 people from domestic migration.

From 1978 to 1997, the South gained more people than it lost in the population exchange with every other U.S. region. And during the 1990s, more whites, blacks, and Latinos moved to the South than moved away. About two out of three domestic migrants to the South were white. Of the remainder, about half were blacks and half Latinos with a few Asians included. *(Figure 24)*

Five states stand out as the South's major gainers of domestic migrants: Florida, Georgia, North Carolina, Tennessee, and Texas. Louisiana was the only state in which more people left than arrived from elsewhere in the U.S. Texas gained as many people from other countries as from other states. *(Figure 25)*

And They Came from Afar

More than at any time since its colonial days, the South has also experienced a rapid growth in immigration — that is, people who moved to the South directly from another country. Approximately 1.3 million immigrants arrived in the South between 1990 and 1998.

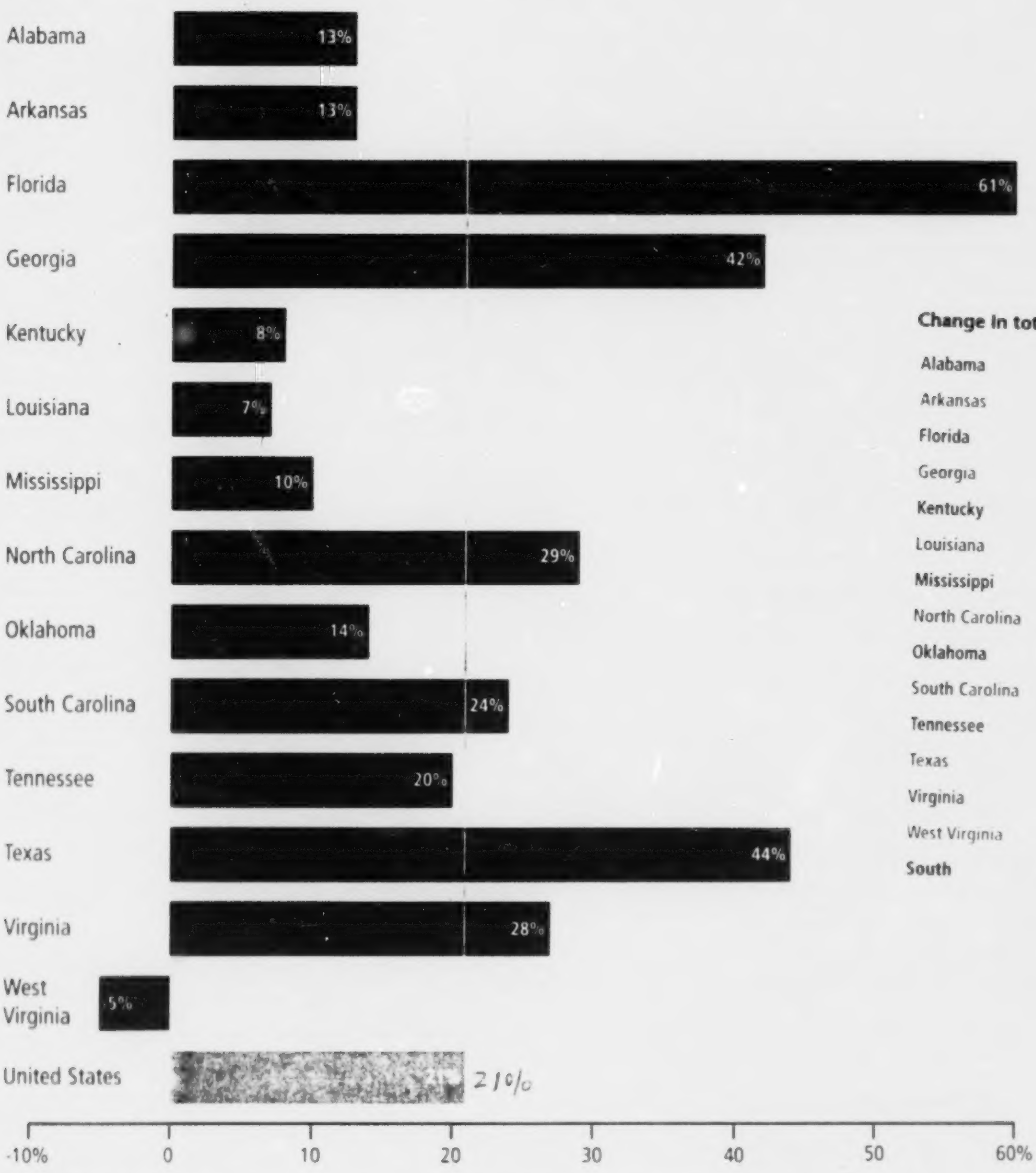
Over the past 15 years, immigration has increased from every continent. Notably, the number of Asian immigrants grew from 52,000 in 1990 to 66,000 in 1996. *(Figure 26)*

Of course, Latin America is the source for the largest number of immigrants moving to the U.S. South. The number of legal immigrants from Latin

Figure 23

Some states spurt, others sputter

Population growth, Southern states and U.S., 1978-97



Change in total population

Alabama	485,034
Arkansas	281,800
Florida	5,522,391
Georgia	2,200,094
Kentucky	296,742
Louisiana	278,481
Mississippi	242,468
North Carolina	1,684,897
Oklahoma	404,035
South Carolina	719,113
Tennessee	906,559
Texas	5,941,611
Virginia	1,449,874
West Virginia	104,555
South	**20,308,544**

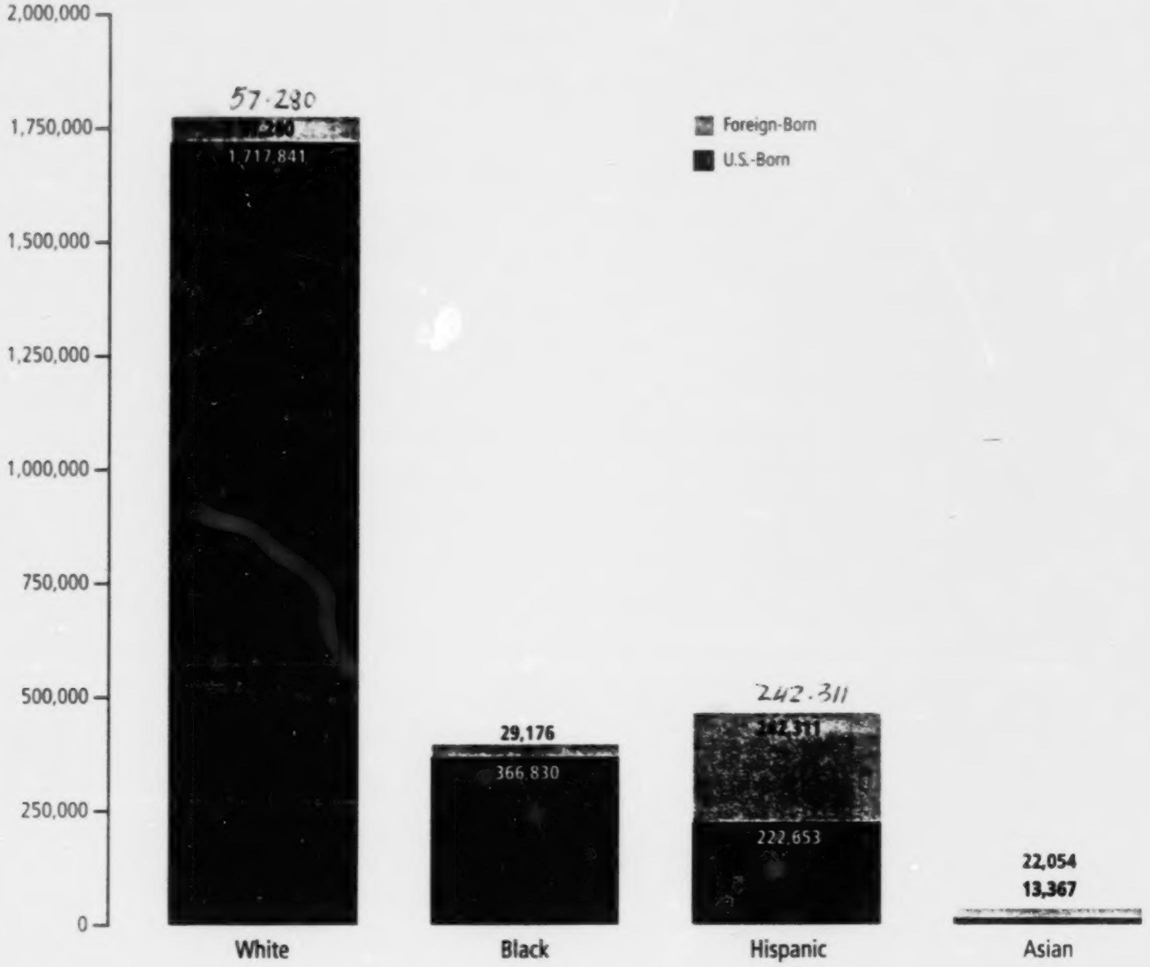
Source: BEA Regional Economic Information System, U.S. Department of Commerce, 1998

Texas and Florida lead the way in population growth. Georgia, North Carolina, Virginia, and South Carolina also display rapid increases. In most other states growth was well below the U.S. average. One state, West Virginia, actually lost population.

Figure 24

Who is migrating to the South?

Net migration to the Census South by race/ethnicity, 1990-98



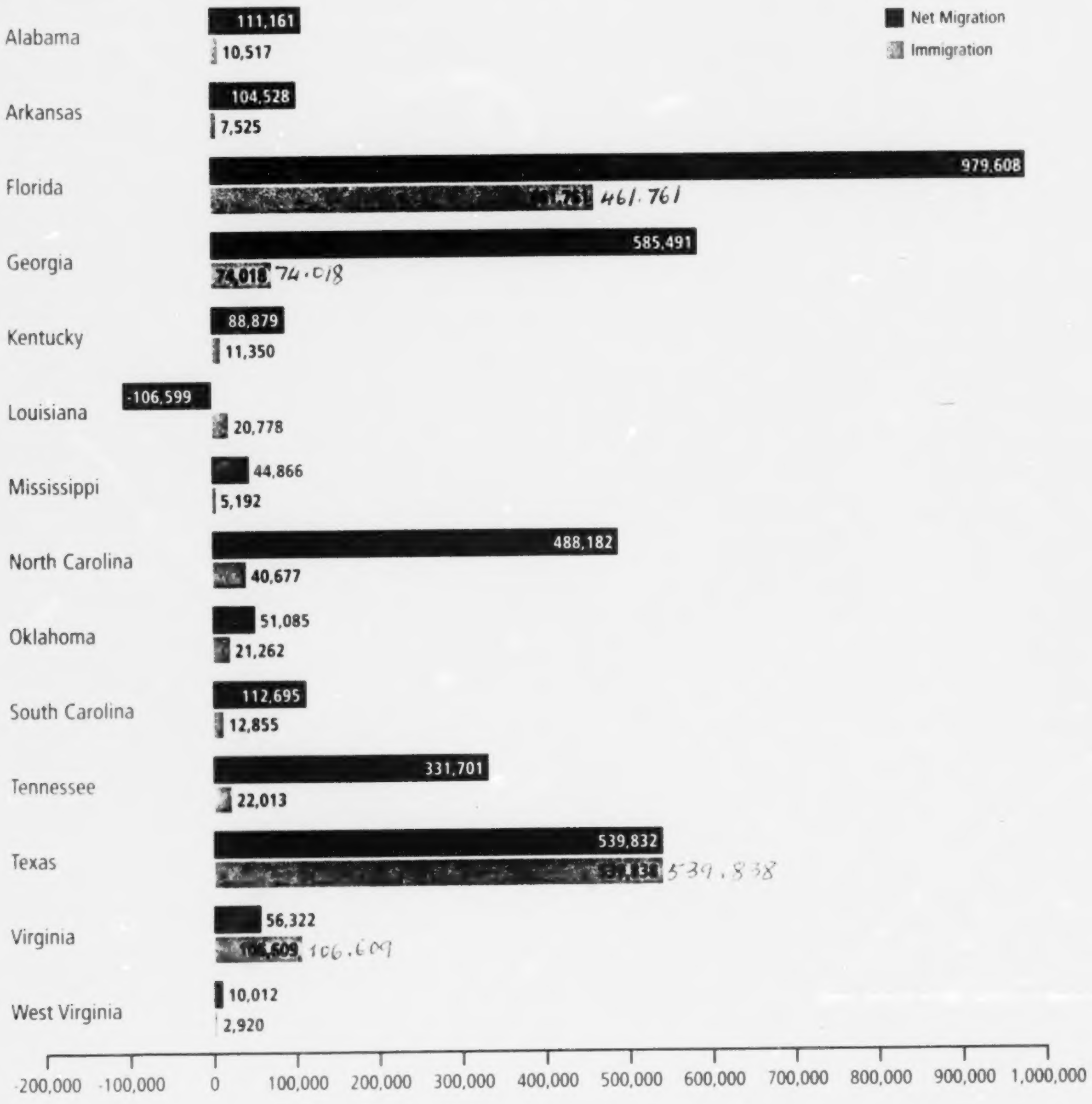
Source: Current Population Survey, March 1995, 96, 97, and 98 (William Frey)

In the 1990s, the South gained 2.8 million new residents from other regions of the U.S. Of these, 2.4 million were born in the U.S., and 400,000 were foreign-born. The majority of migrants were white, and there were roughly equal numbers of Hispanics and blacks. Half the Hispanics who moved to the South from other states were born outside the U.S.

Figure 25

Land of opportunity

Net migration and immigration to the Southern states, 1990-98



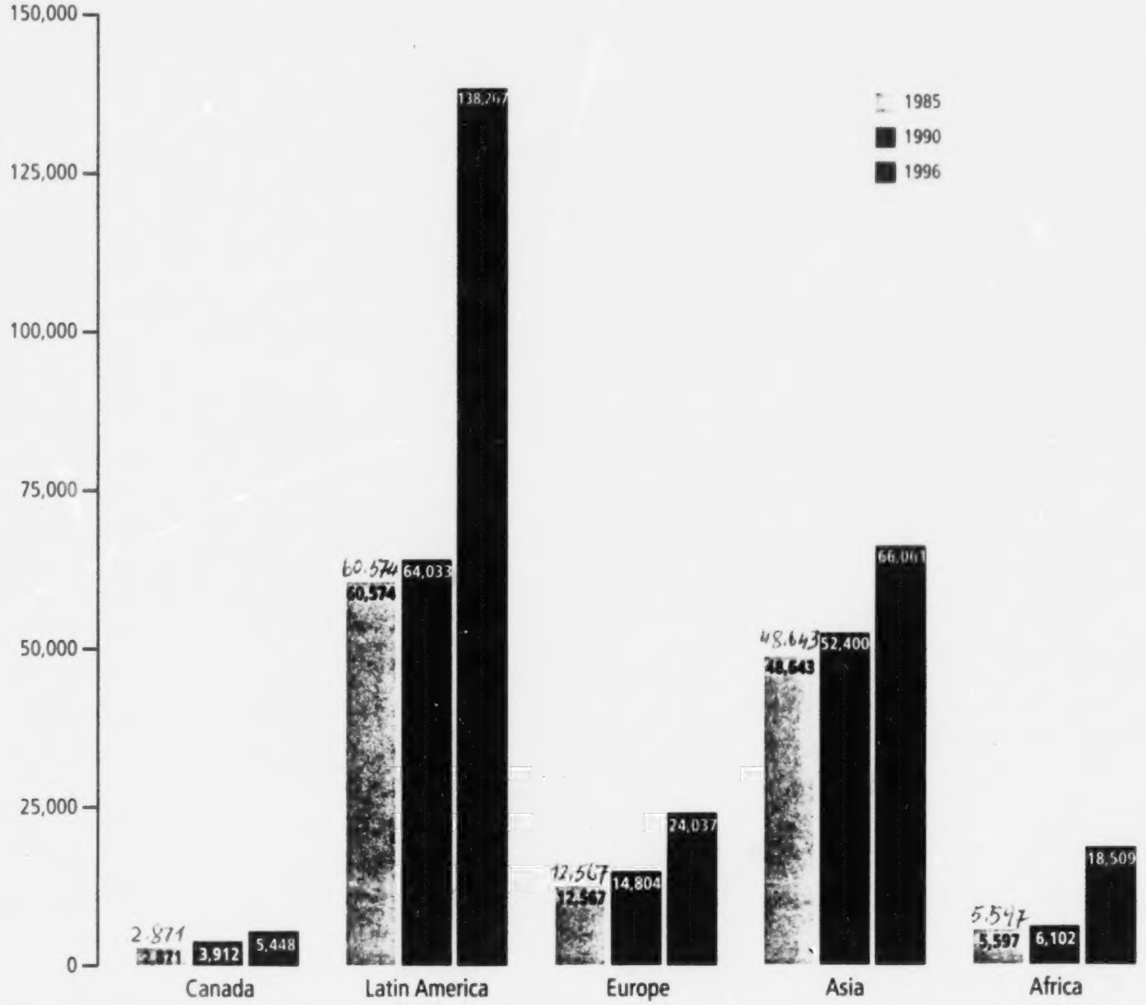
Source: U.S. Census Estimates, 1990-98 (William Frey)

The inflow of migrants and immigrants is very uneven. Almost all Southern states grew as a result of migration exchange with other regions in the country. In many Southern states, the arrival of immigrants is only beginning to occur, even as scattered communities experience high levels of immigration.

Figure 26

New Southerners from around the world

Number of immigrants to the Census South by place of birth, 1985, 90, and 96



Source: U.S. Immigration and Naturalization Service (William Frey)

Immigrants to the South have increased from every continent. Latin America is far and away the largest source of immigrants. Asian immigrants are also arriving in significant numbers, and African immigrants are increasing. These figures indicate the number of immigrants to the U.S. through Southern points of entry.

Dalton, GA — Making the Most of Many Cultures

Dalton, Georgia (pop. 22,000), is known as the "Carpet Capital of the World." Over the past decade, Mexican and Central American immigrants have increasingly filled the low-wage jobs at carpet factories in Dalton. Latinos now make up a third of the town's population, and Latino children comprise the largest ethnic group of students in the school district. A decade ago, there were 151 Latino students in the district; now there are more than 2,000.

There are now three Spanish-language newspapers and 132 Latino-owned businesses in town. Centra Latino, a local community-based organization, serves as a clearinghouse and referral service for new immigrants. Dalton State College offers Latinos employment assistance, translation help, and a variety of other services. Through its adult literacy program, the college also offers day and evening English as a Second Language (ESL) classes and maintains an ESL computer lab. In 1999, approximately 1,300 students enrolled in ESL classes at the college.

In 1996, local business leaders convinced the Dalton Public Schools' board to fund The Georgia Project, a program that sends about 20 educators to Mexico every summer for language and cultural training. A small group of Dalton citizens initially protested the program, and the local English-language newspaper still receives anti-immigrant letters. However, Erwin Mitchell, an attorney and former U.S. Congressman who founded the Project, contends that it is in the best interest of everyone because not educating the children of immigrants could have serious social and economic consequences.

The Georgia Project is a joint venture of Dalton Public Schools and the University of Monterrey in Monterrey, Mexico. Dalton teachers attend a summer training institute at the university, and they also observe classroom instruction at various schools in Monterrey. In addition, the Project pays for teaching assistants to come from Monterrey each year to work in Dalton school classrooms. They assist the 24 teachers in Dalton who lead the English for Speakers of Other Languages program at the eight Dalton public schools. From kindergarten through second grade, the schools offer dual-language classrooms, and all students receive both Spanish and English instruction.

At first only Anglos were involved in the decision-making process of The Georgia Project, but Latino business leaders recently formed the Latin American Community Alliance to help shape the program.

America to the South more than doubled in the first half of the 90s. In 1996, about 138,000 Latinos, mostly Mexicans, arrived in the South, representing 55 percent of all legal immigrants to the region.

To be sure, millions of additional newcomers have arrived as undocumented immigrants. According to U.S. Immigration and Naturalization Service estimates, for every 100 legal immigrants, an additional 42 "undocumented" immigrants enter the U.S. And some organizations working with immigrants consider INS estimates conservative.

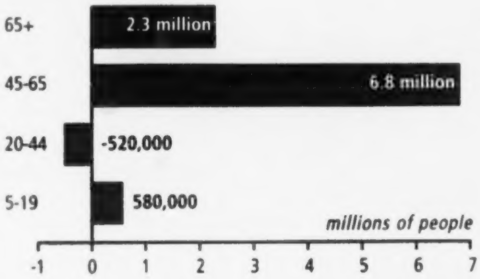
Counterbalancing Aging

Migrants and immigrants are having a critical effect on the South's population characteristics — they are keeping the South younger.

Along with other U.S. regions, the South's population is aging. Between now and 2010, the region's population cohorts with the largest increases will be people 65 years and above, and 45- to 64-year-olds. The South is projected to have about 2.3 million more people 65 years and older in 2010 than it has now and about 6.8 million more people between 45 and 64. *(Figure 27)*

Figure 27

Projected population change for the South, 2000-2010



Source: U.S. Bureau of the Census, October 1996

People in the 20-44 age bracket will remain the largest cohort of the South's population. But as a group, younger adults are expected to show a decrease of more than a half million between 2000 and 2010. Young adults are a particularly important segment of the workforce. They bring new ideas and new energy that enhance productivity, and they are better educated than older adults. Their decrease in numbers is cause for concern.

But that decrease would be even more pronounced absent the recent rise in immigration. The rapid increase in immigrants is bringing more young adults to the South, helping to fill in the gaps in the workforce as the native-born population ages. *(Figure 28)*

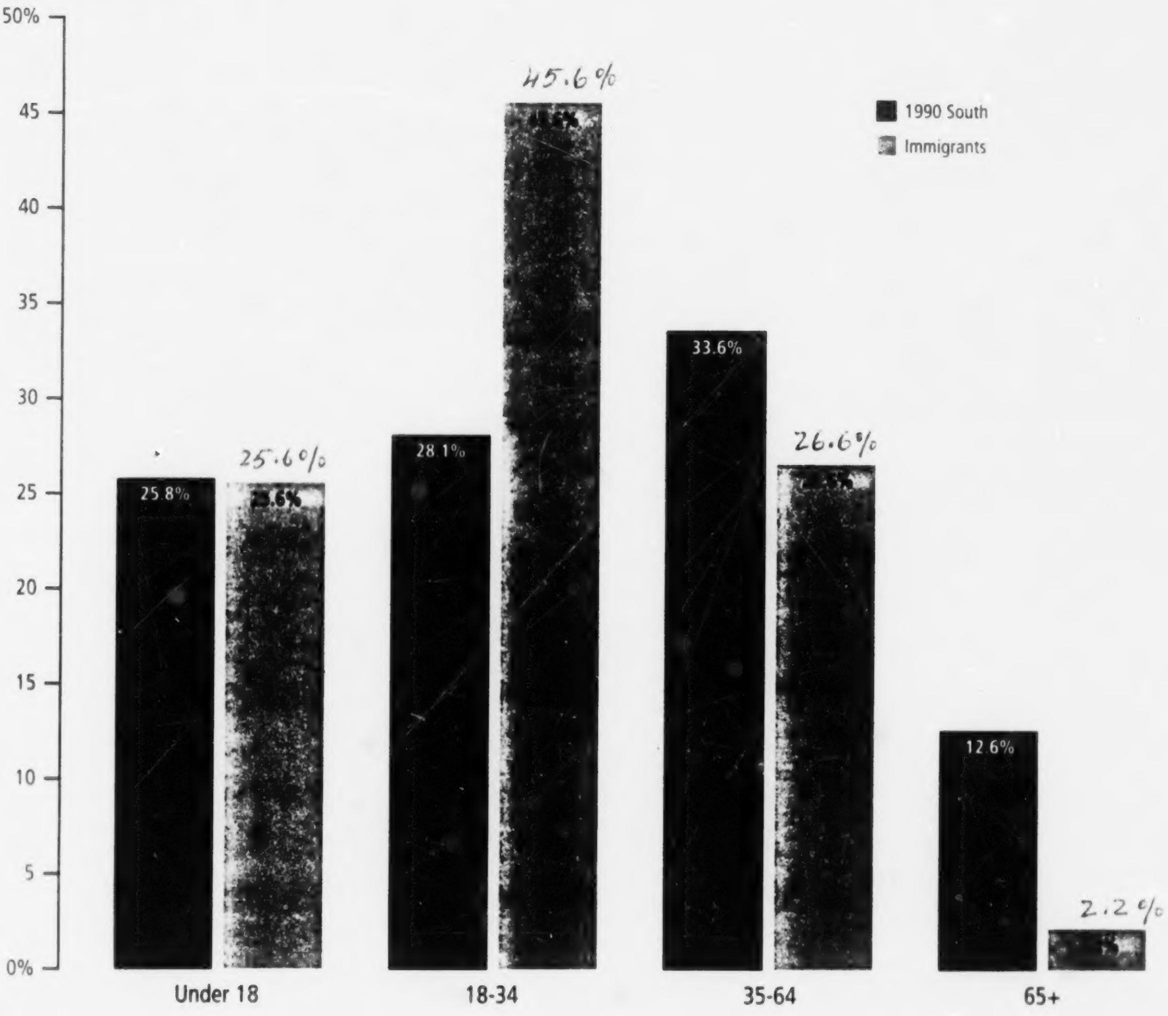
For the South's economy, the projections of population change contain two resounding messages:

1. Increasingly dependent on older workers, the South must provide widespread access to mid-career education and training opportunities that will enable them to adapt to economic change.

Figure 28

Immigrants keeping the South younger

Age of immigrants to the Census South, 1990-98



Source: Current Population Survey, March 1995, 96, 97, and 98 (William Frey) and 1990 U.S. Census

As the South's resident population ages, immigration is bringing in young, working-age adults who fill in labor gaps. In 1990, young adults (ages 18-34) made up just 28 percent of the South's population, and their numbers declined from 1990 to 2000. In contrast, young adults are the largest age group among immigrants, representing 46 percent of all immigrants to the South in the 1990s.

2. The growing population of non-English-speaking immigrants and their children, along with African Americans, will form an ever-larger segment of our future workforce. People of color and immigrants must have greater access to education and skills training to ensure that they have the opportunity for productive, family-sustaining employment and that the South's workforce remains competitive.

Education: Gains and Gaps

The South's population remains woefully undereducated for this era of globalization. Too few Southerners are pursuing education beyond high school — and too few continue to seek education over the course of their working lives.

Requirements for good, well-paying jobs are changing rapidly as new technology calls for ever-higher skills. To qualify for the high-growth, higher-paying occupations generated in the global economy, the South's workers must constantly augment their skills and increase their knowledge. Increasingly the question will be asked of Southerners wanting to move up the career ladder: What did you learn lately?

The massive flow of people into the South is, simultaneously, enriching the region with well-educated workers and challenging the states anew to expand the reach of their education and training systems.

The overall profile of both domestic migrants and immigrants from 1990 to 1998 shows higher rates of college-degree and postgraduate attainment than the resident 1990 population of the region. To an important extent, therefore, the newly arrived are raising the education level of the South's workforce. *(Figure 29)*

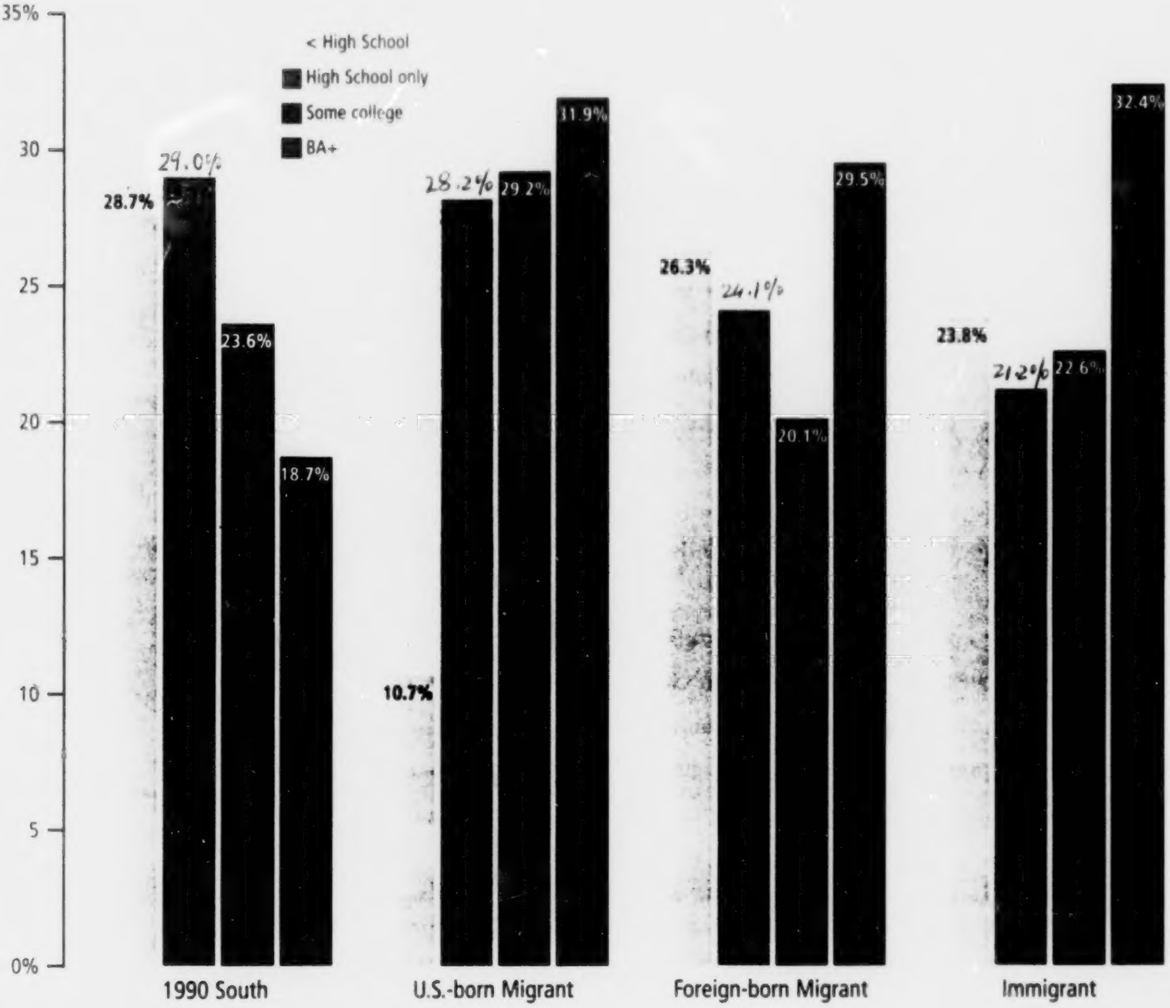
And yet, many recent arrivals have come without education beyond high school. Indeed, almost four out of 10 Latinos who moved to the South from other states in the 90s had less than a high school education. *(Figure 30)*

During the economic expansion of the 1990s, factory, construction, and retail jobs absorbed hundreds of thousands of immigrants with little formal education. For the long term, however, the South's sustained economic advancement as well as civic and community well-being depends on its extending quality educational opportunities to immigrants and their children.

Figure 29

Many newcomers have gone to college...

Educational attainment of migrants and immigrants to the Census South, 1990-98, ages 25+



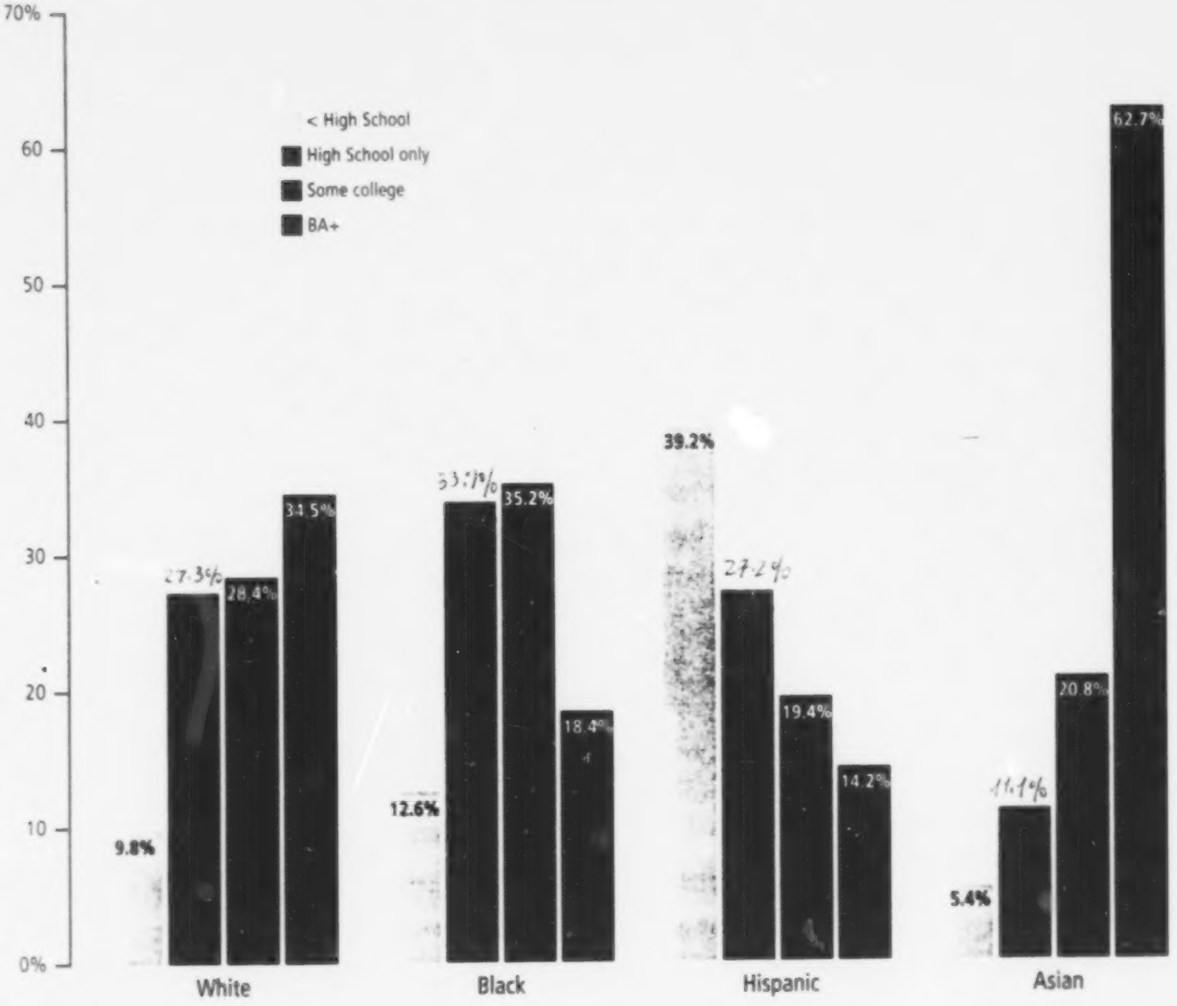
Source: Current Population Survey, March 1995, 96, 97, and 98 (William Frey) and 1990 U.S. Census

Compared to the South's population in 1990, newcomers have higher educational attainment. This is true regardless of whether they are U.S.- or foreign-born, and regardless of whether they moved to the South from another state or another country.

Figure 30

...But many Hispanics have not completed high school

Migrants to the Census South by race/ethnicity and education, 1990-98, ages 25+



Source: Current Population Survey, March 1995, 96, 97, and 98 (William Frey)

Racial and ethnic groups moving to the South from within the U.S. have very different educational profiles. The majority of Asian migrants are college graduates, and 27 percent have postgraduate education. More than one-third of white migrants have completed four years of college. Most blacks have completed high school, and 54 percent have some college or a BA. The largest group of Hispanics — nearly 40 percent — have not completed high school.

Note: These figures include all migrants who moved to the South from other regions, both U.S.-born and foreign-born. As shown in Figure 24, over half the Hispanic migrants to the South in the 1990s were foreign-born.

Segregation, Strains in the Workplace

The 1990s saw the creation of more jobs than the U.S. working-age population could fill — in high-wage categories as well as low-wage occupations. Thousands of highly skilled workers have come to the U.S. from abroad, adding momentum to the development of high-tech businesses. And throughout the South, construction companies, hotels, and meat-processing firms have recruited immigrants from Mexico, Eastern Europe, and Asia.

What's more, this period also saw the elimination of the welfare program known as Aid to Families with Dependent Children. In its place came largely state-designed systems that emphasized moving recipients as quickly as possible into jobs.

While the South has provided more jobs for more people, the workplace remains marked by stratification along lines of race, ethnicity, and gender. In general, white men and women are more concentrated in white-collar occupations, while African Americans and Latinos are concentrated in blue-collar and service jobs.

Over the past three decades, the South has experienced a historically notable growth in the black middle class and a dramatic rise of women in professional and technical ranks. Both trends have resulted from expanded educational opportunities, as well as shifts in societal attitudes.

And yet, data continue to show that men and women of different racial and ethnic groups remain concentrated in different occupational categories.

Compared to white or Latino men, black men are overrepresented in semiskilled factory work — jobs whose numbers are shrinking every year as technology changes and businesses restructure. Black men are also concentrated in the lowest-skilled blue-collar occupations (laborers, helpers, cleaners), as well as service jobs, high-skilled blue-collar trades (construction workers, mechanics), and transportation jobs.

Latino men are heavily engaged in the construction trades and other high-skilled blue-collar occupations. Still, large numbers of Latino men also work in low-skilled, low-wage jobs in services, factories, and farms.

Within blue-collar occupations, white men are concentrated in the higher-wage trades. On the white-collar side, white men greatly outnumber blacks and Latinos as managers, professionals, and sales workers. *(Figure 31)*

Both black and Latino women are concentrated in fast-growing but low-wage service occupations, particularly health care jobs (African Americans), cleaning jobs (Latinos), and food service (both). White women are concentrated in white-collar occupations, including management and teaching. Administrative and clerical jobs employ a high proportion of women of all races. *(Figure 32)*

Such stratification is a product, in part, of educational differences between and among race and ethnic groups. In 1998, nearly one out of four white adult Southerners (age 25 and older) had a bachelor's or higher degree, and another two out of 10 had at least some college education. However, among both black and Latino adults in the South, only slightly more than one in 10 had a bachelor's degree.

Further, one-quarter of adult black Southerners had not completed high school. Among Latino adults, more than four out of 10 have less than a high school education. *(Figure 33)*

Educational gaps, leading to job stratification, come with a high cost. Of special concern is that many of the blue-collar production occupations most populated by blacks and Latinos are declining in number. And in the low-skill service occupations where African Americans and Latinos are concentrated, wages are unlikely to increase in the near future.

Stratification diminishes earnings and future opportunity for workers stuck in lower-rung jobs. It also sets the stage for increased tensions and reduced productivity, both of which are deleterious for communities and for business.

Strains on the South

As global and technological forces reshape the Southern economy, so are they remaking the map and the complexion of the region. The South's strong economy acted as a magnet during the late 1990s. It provided a lot of work, up and down the earnings ladder. Employment opportunities, along with natural amenities, attracted people.

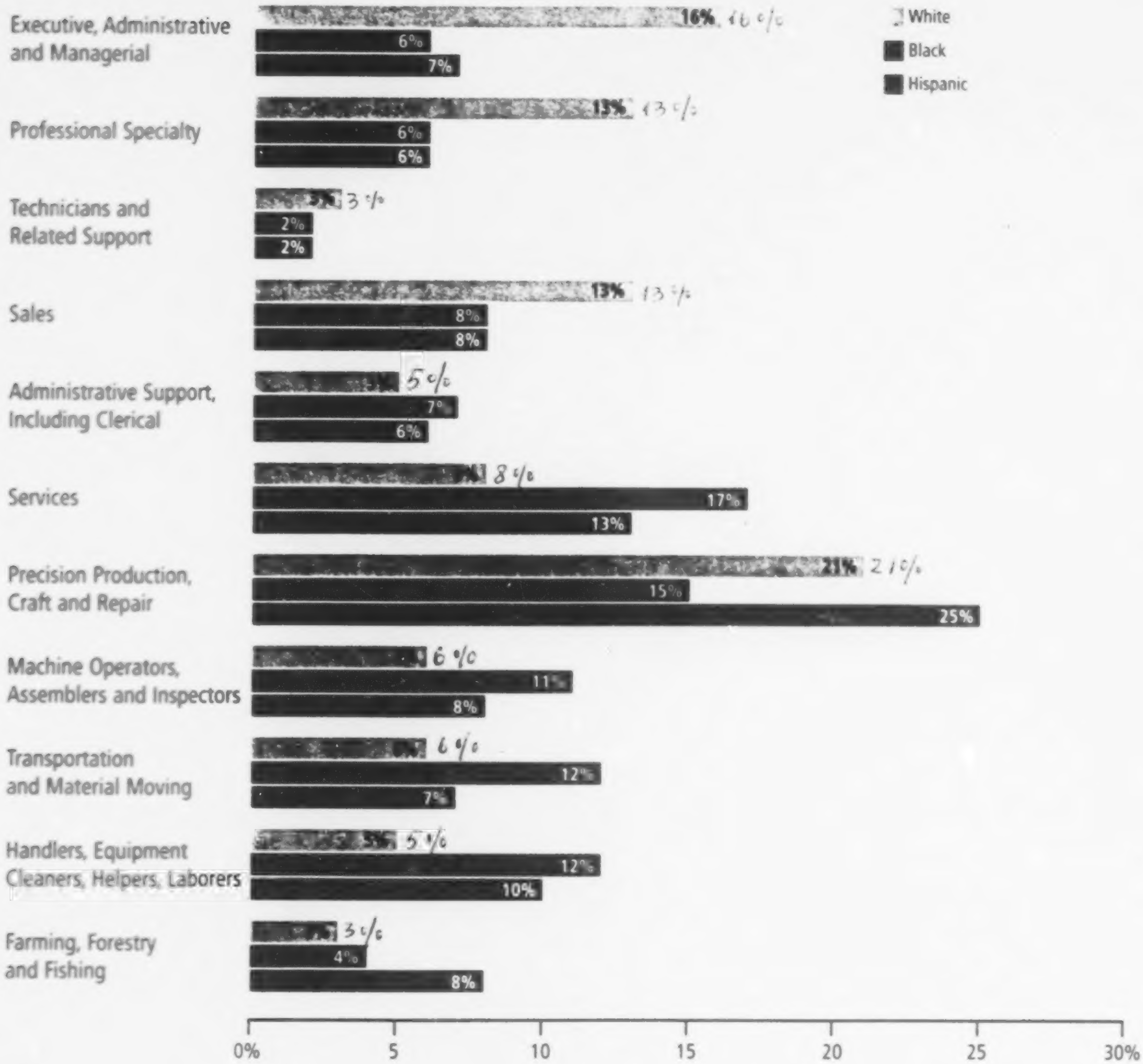
And yet, globalization can be a double-edged sword, offering vast opportunities and intensifying risk. The resulting strains threaten both the South's quality of life and its economic fortunes.

Even as Southerners and Southern communities deal with lingering racial frictions, the region's ethnic diversification is accelerating. While Southern metro areas have been the destination of most immigrants, new

Figure 31

Men's work is...

Occupational distribution of men by race/ethnicity, South, 1999



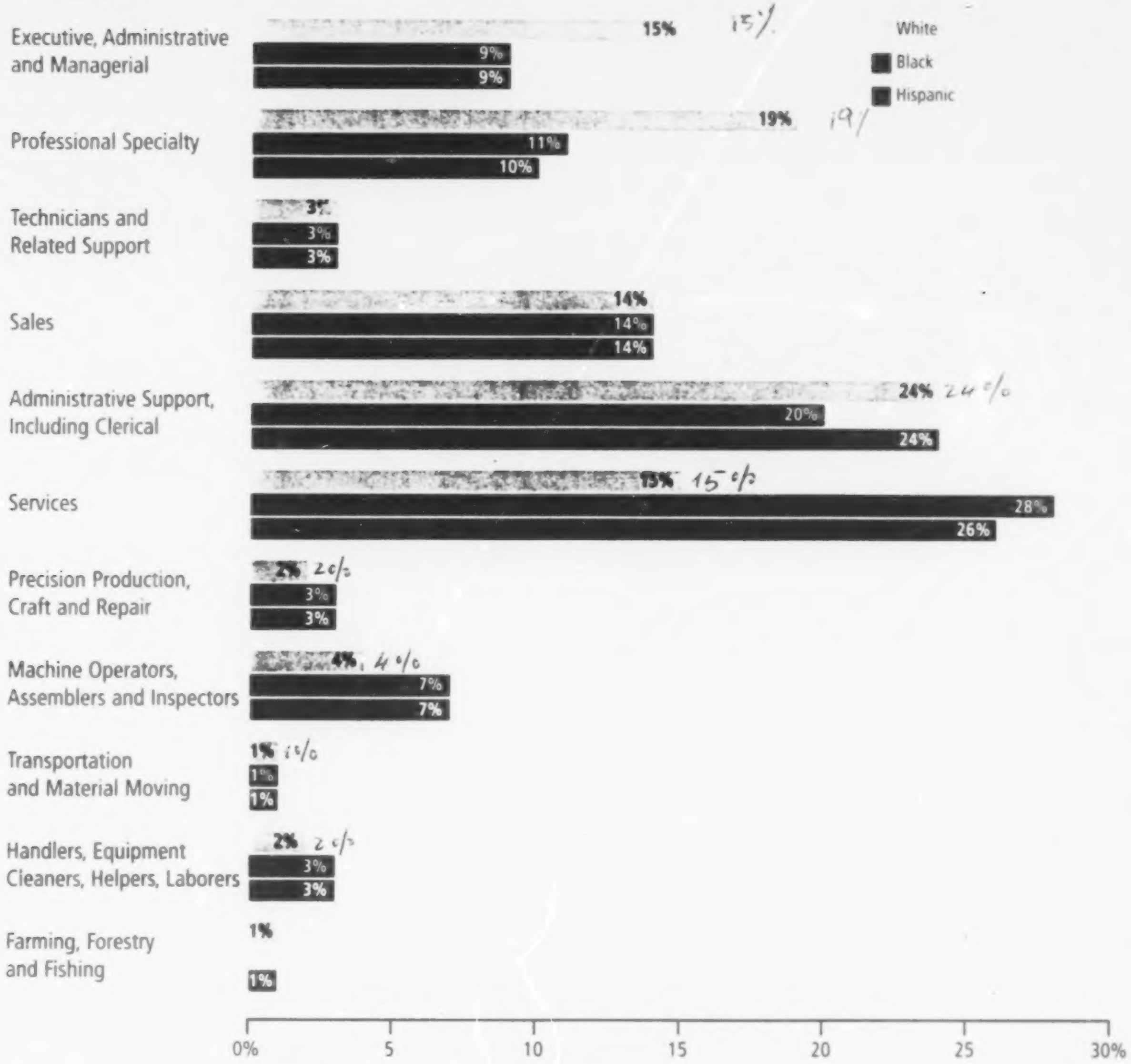
Source: Current Population Survey, March 1999 (Linda Swanson)

High-skilled, blue-collar trades (construction trades, mechanics, and highly skilled factory work) comprise the largest occupational group for Hispanic and white men, and the second largest for black men. Still, blacks and Latinos are concentrated in low-skilled service jobs and the semiskilled and low-skilled blue-collar occupations, such as factory machine operators and assemblers, truck drivers, and laborers. White men, meanwhile, are more than twice as likely as minorities to hold managerial or professional jobs.

Figure 32

Women's work is...

Occupational distribution of women by race/ethnicity, South, 1999



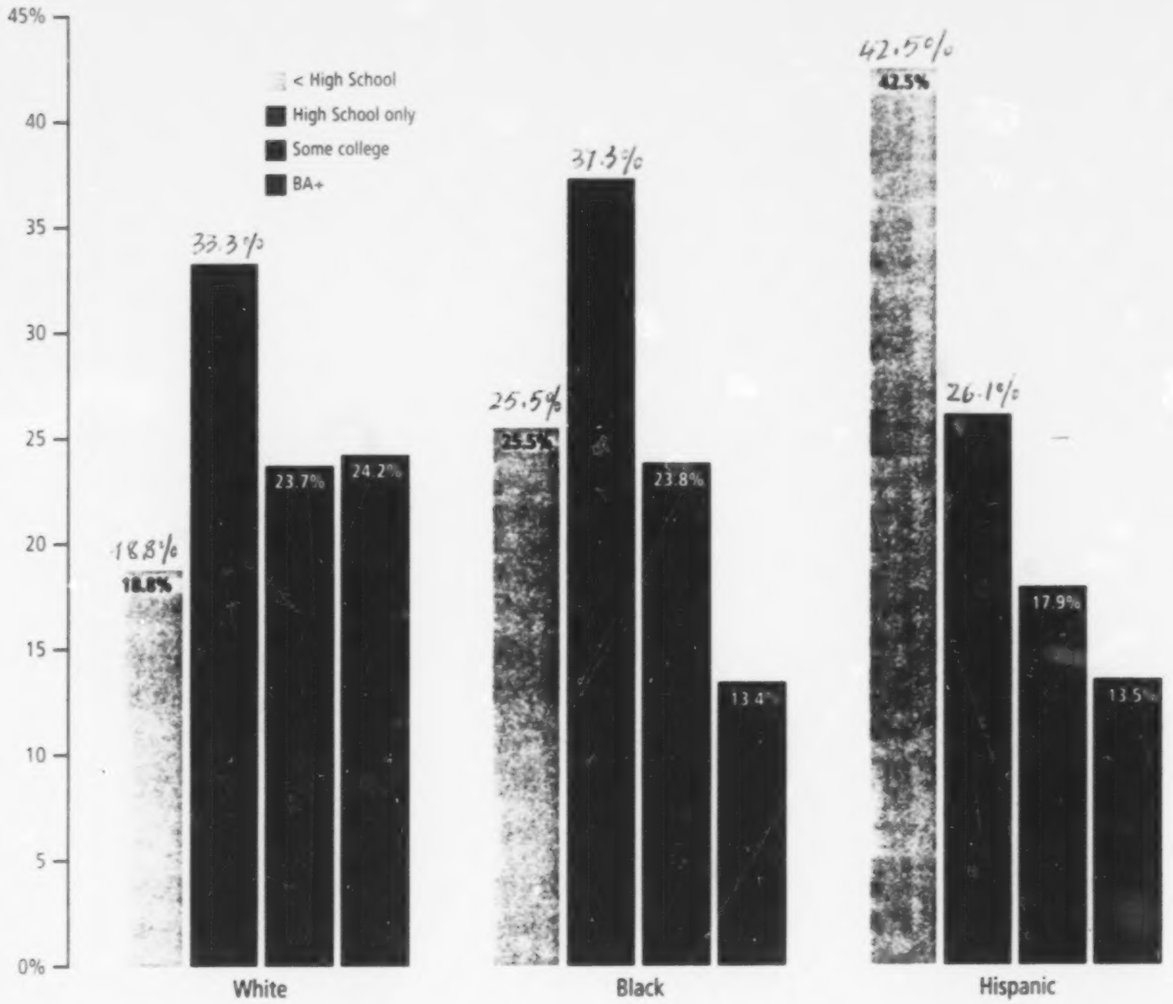
Source: Current Population Survey, March 1999 (Linda Swanson)

Compared to men, few women are found in the high-skilled blue-collar trades, while they are highly concentrated in service and clerical jobs. Black and Hispanic women have almost identical occupational patterns: They are concentrated in service work, followed by clerical work and then sales. Clerical jobs employ the most white women, but a substantial and growing number of white women hold professional and managerial jobs.

Figure 33

Low college attainment for blacks and Hispanics

Educational attainment by race/ethnicity, Census South, 1998, ages 25+



Source: Current Population Survey, March 1998

While nearly one in four white Southern adults has a bachelor's degree, the figure for blacks and Hispanics is only 13.5 percent. A high proportion of Hispanic adults — more than four out of ten — have less than a high school education. Black and Hispanics will comprise an increasing portion of the future workforce, and their education level will determine, in part, the future economic health of the region.

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arrivals have had an especially profound effect on small towns and rural areas. Low-paying jobs in poultry and pork processing, in furniture, hosiery, and in farm labor have attracted immigrants to many rural communities.

These communities struggle to allay cultural tensions and provide services to new residents with different language and culture, while public schools strain to accommodate and serve increasing numbers of non-English-speaking children. Since most of the South has not previously experienced large-scale immigration from foreign cultures, the region has not developed many of the mediating community institutions that can ease integration of new neighbors, which will be a major civic challenge.

The continued prosperity of new-economy cities — and indeed, the prosperity of their states and the entire region — depends on their remaining livable as they cope with rapid growth. These metro areas are struggling with environmental issues from dirty air to water shortages. They are dealing with a lack of affordable housing, with growing gaps between rich and poor, with inner-city decay, and with population growth and sprawl that overburden highways and schools. Residents of many rapidly growing metros are tied more by commerce and highways than by a civic identity or common history, and as disconnectedness increases so too will the difficulty of addressing these community challenges.

The challenge before Southerners is at once sweeping and exhilarating. It is to ensure that the region's prospering places and people continue to thrive, while helping the people and places that are falling further behind gain the capacity to adapt and flourish in a rapidly changing economy.

Chapter 4

Regional Challenges, Regional Opportunities

And as the years pass we must constantly examine our institutions and schools, seeking always those innovations that will enable us to build strength on strength. I am for a system that does not neglect anything or anybody.

— Terry Sanford

Over the past two decades, the South has achieved unprecedented prosperity as it outpaced the nation in both population growth and job growth. Nevertheless, in today's economy, when information can travel in an instant from Bangkok to Baton Rouge, the region faces two crucial and interrelated questions:

How can the South take advantage of the change and churning brought about by globalization and high technology? And how can the region equip people and places that are threatened by the dynamics of globalization to seize opportunities offered by the new economy?

More than 30 years ago, Terry Sanford, the former governor of North Carolina, worked to prepare Southerners for the transition to the age of industrialization. As the region enters the telecommunications age, his admonition takes on even greater urgency: that we must update institutions, foster innovation, and neglect nobody. We will cripple ourselves if we fail to adapt civic and educational institutions to modern-economy needs, or fail to treat each of the South's people as an important asset, or fail to invest in people with fresh ideas.

We call upon leaders in business, education, philanthropy, and government to awaken to the compelling evidence that much of the South is not well prepared to succeed in the global economy. Even as the region has emerged from three decades of economic and social change, sometimes wrenching, the South must equip itself for continuing upheaval.

New-economy forces will continue to affect us in ways we cannot always predict. The region will need flexible mechanisms for dealing with change, and discovering those vehicles is the joint work of leaders in the private, nonprofit, and public sectors.

A set of compelling facts emerges from the data in this report:

- **New technologies are changing the foundations of our economy.**
  "Technology" isn't a business sector separate and apart, but rather is an integral part of everything from industry to government to education. As a result of recent changes in information technology and other improvements, the South has an opportunity to leapfrog ahead in its development and flourish in the new digital economy. This will happen only if we prepare our workforce, encourage innovation, and provide the necessary infrastructure.

- **The traditional "beginning" and "ending" to education no longer apply.**
  The South must change how it thinks about education, recognizing the necessity for continuous learning in a highly competitive global economy. The "more education" theme has emerged before in *The State of the South* series, but in today's rapidly changing environment it is more critical than ever. We must not shortchange our current or future workforce by setting low expectations. We must provide education and training that enables people of all ages and walks of life to navigate the changing world of work.

- **Economic progress is not fully reaching African Americans and Latinos.**
  The growing black and Latino middle class has enriched the South and provides increasing leadership for a stronger civic culture. Still, data continue to point to deficiencies in educational attainment and in job opportunities available for blacks and Latinos. Such gaps are unacceptable and must be eradicated — the new economy demands a skilled labor force, and the labor force will increasingly consist of African Americans and Latinos.

- **Political boundaries and economic reality do not match.**
  For cities enmeshed in worldwide commerce, economic boundaries have changed. These metros sprawl across city, county, and state lines — their markets, labor forces, suppliers, and customers are all over the globe. We cannot let old lines on a map interfere with collaborative planning and decision-making that is increasingly essential to governing new-economy cities and keeping them competitive. Since the economy of the world and the region is increasingly dependent on new-economy cities, the South must help its pacesetter cities stay on the leading edge of knowledge development, innovation, and entrepreneurship while positioning more metro areas for new-economy success.

- **Places that remain disconnected from the new economy will become increasingly stagnant.**
  We must enable rural communities to make the transition from a natural resource and low-end-manufacturing economy to the digital age. Connecting rural areas to economic activity, be it to a nearby economic center or to a burgeoning sector of the new economy, is critical to rural economic survival and requires rural communities to collaborate regionally for success.

- **The rapid flow of people into the South is changing the social fabric of our communities.**
  Because the South's economic future will increasingly depend upon blacks' and Latinos' full participation in economic and civic life, it is urgent that the region continues to mend its historic black/white divide and simultaneously to resolve new tensions arising from immigration. Civic leaders must be more creative about — and more committed to — developing communities that capitalize on all of our human and cultural assets.

As the South enters the 21st Century, it faces both old challenges enduring from its days as a low-wage, low-skill region and new issues emerging from the new economy. The South built its education, economic development, and civic institutions to function in a different economic and cultural context. Today, these institutions must change to help the region thrive in an era of new, constantly evolving technological and global influences.

The trends highlighted in this report demand a variety of responses, adapted to the diverse conditions and aspirations of the South's states, cities, and counties. As Southern decision-makers and opinion leaders consider how to focus efforts and restructure the region's institutions to respond, we offer an outline of critical issues that must be addressed for the South to overcome its challenges and seize the opportunities of the 21st Century.

The South must create more jobs.

Targeting lagging regions:

Because some areas of the South, especially rural communities and inner cities, have unacceptably high levels of unemployment and underemployment, job creation efforts should target distressed areas. Defining assets upon which to build local economies for long-term success is essential. Rural, low-growth counties should join in regional partnerships to achieve critical mass for successful development efforts.

Economic foundations:

Southern states must provide the infrastructure and preparation necessary for increased job opportunities. Such infrastructure still includes water and sewer as well as roads that link isolated rural and inner-city communities to new centers of economic activity. With telecommunications infrastructure so vital in the new economy, states must adopt strategies to assure broadband connectivity to all corners. Systems of literacy instruction and workforce training, coordinated through one-stop centers, are key elements of job creation, and state agencies must marshal their resources in a united fashion.

The South must create better jobs.

Higher skill, higher wage:

Throughout the South, too many working people remain poor. The Southern states must intensify their efforts to increase higher-skill, higher-wage-and-benefit jobs by focusing economic development incentives and assistance on businesses that create high-productivity, higher-wage jobs.

Competitiveness:

Traditional Southern industry is highly vulnerable to international competition. The region cannot compete with the world by emphasizing low-cost labor and land; its prospects depend on increased innovation, high skills, and brainpower. We must invest in the institutions that create and deploy knowledge because they enable creation of better jobs in the long term. And, as it shifts away from its traditional industries, the South must emphasize production and export of higher-value-added goods and services.

Economic engines:

New-economy cities are leading the region's economic progress, and we must maintain their momentum while building the capacity of less vibrant cities to be engines of high-wage, high-skill job creation. Cities can position themselves to excel in the new economy by capitalizing on their competitive advantages.

The South must educate all its people to thrive in the modern economy.

Always learning:

The global economy demands that workers be adaptable, know how to learn, and stay current as technology and job requirements change. It calls for continuous learning from early childhood through retirement. Both the public and private sectors have responsibilities to ensure that: every child starts school ready to succeed; K-12 education prepares all young people for college and productive work; postsecondary institutions are responsive to students and workplace needs; public job training programs effectively link people with better jobs; and working adults have opportunity for education and skills upgrading.

Community colleges:

By nature adaptive institutions, community colleges must become even more flexible and responsive to meet increasingly diverse needs — the college graduate seeking new occupational skills; the high school dropout looking for a second chance; the recent immigrant seeking new opportunity; the factory worker whose plant shut down; the adult who is turned off by the notion of "school" but without further education is stuck in a dead-end job or faces layoff. States must provide flexible funding that enables community colleges to serve this wide range of education and training needs, to utilize distance learning and other current technology, to partner with businesses to develop appropriate training programs, and to market themselves actively to potential students in underserved populations.

Talent pool:

Without a well-prepared workforce, the South will struggle to create better jobs. If the workforce is not well prepared, either high-wage positions will not be created, or they will be filled by workers from outside the region. Despite the South's low proportion of jobs in knowledge-intensive sectors such as information, professional/scientific/technical, and high technology, employers have trouble filling many of these jobs. For the continued growth of these and other desirable sectors, our schools, colleges, and training programs must prepare more people for high-skilled jobs.

Partnerships:

Business leaders and educators must create strong partnerships to define the skills needed in the new economy, to build support for more-effective education, and to upgrade workers' skills. Businesses must communicate what skills they need, they must keep teachers and counselors informed about the changing workplace, and they must help schools develop creative learning opportunities that introduce students to the workplace. Businesses also have a responsibility to support further education, training, and opportunities for advancement for their own employees.

Equity:

Our schools must provide high-quality education for all children regardless of their ethnicity, their parents' income level, or whether they live in a rural or urban community. We must increase high school graduation, college enrollment, and college graduation rates among all Southerners and eliminate the disparity between whites and African Americans and Latinos in attaining bachelor's degrees. This calls for providing strong academic preparation and guidance starting in the early grades and ensuring that no one is prohibited from attending college because of cost. More students, especially women and African Americans and Latinos, should be encouraged to pursue math, science, and other academic fields that open the door to rewarding careers.

Immigrants:

We must address the education and training deficits of many recent immigrants. Flexible course offerings, teacher training, and education in the workplace are required to develop the skills of this growing segment of our workforce. Community colleges, grassroots organizations, employers, and churches all have roles to play in English language instruction, skills training, and outreach partnerships, which are critical for people who are unfamiliar or uncomfortable with public institutions.

The South must create pathways to economic opportunity.

Job links:

We must create connections to employment and opportunities to move up the career ladder for people on the fringes of the economy. Essential connections to employment include outreach, training, support services, and follow-up, which can be provided collaboratively by public agencies, community organizations, community colleges, and employers.

Youth:

Young people, especially those in rural, inner-city, and low-wealth communities, must understand the connection between education and job opportunities — they need more than a high school education to attain a middle-class standard of living, and the premium for a college education is increasing rapidly. Business/education partnerships and youth development programs must provide young people with exposure to and exploration of a variety of careers and with the personal support, academic preparation, and career guidance to meet occupational requirements.

Breaking barriers:

We must knock down the cultural, social, and educational barriers that trap many people of color and women in lower-wage jobs. Schools, colleges, job training programs, and employers should encourage more women and minorities to pursue careers in technical fields where wages are high and job openings abound. We must change the culture of low expectations in our schools and workplaces — they constrain too many people, particularly those most at risk in a changing economy. We must also strengthen community development and grassroots organizations that work to erase racial, ethnic, and gender stereotypes.

The South must foster the discovery and application of new ideas.

Universities:

Universities must lead in fostering critical thinking and the development of new ideas. They are the institutions charged with creating and transferring knowledge, and in the new economy they are more important than ever. Government, business, and philanthropy must work with universities to define areas of research deemed most critical to the South's continued progress and provide special funding for programs of study and research in these areas.

Specialized talent:

Universities must educate more students, especially at the graduate level, in those areas deemed critical to the South's future. Universities must make students aware of programs of study designed to meet critical needs, and states should provide special incentives to encourage enrollment in these fields, especially for African Americans and Latinos.

Private R&D:

States should provide incentives to encourage businesses to undertake special research and development programs in areas deemed to be especially promising to the South's future.

Southern communities must have a strong civic culture.

Leadership:

Southern communities must broaden their leadership base to take advantage of all their potential assets. Just as successful businesses seek talent everywhere, successful communities seek talent everywhere, draw it out, and put it to use. Civic organizations, nonprofits, and community groups must do the same by recruiting and training emerging leaders across lines of race/ethnicity, gender, class, and geography.

Civic ventures:

Business, government, education, philanthropy, and nonprofits must join in partnership to create vehicles for community problem solving. Many communities understand their challenges but falter in devising and implementing effective responses. Civic partnerships should convene community members to work together, creating a new culture of broad-based collaboration that will build the community's capacity for solving problems.

Civic skills:

In a global, technological age, the South needs to educate its young people not only to heighten their abilities as productive employers and employees, but also to prepare them for active civic engagement. We must nurture the social and civic skills necessary for democratic decision-making, problem solving, and community building.

Inclusiveness:

In the past, segregation was part of the fabric of the South's low-skill, low-wage economy. Today, the global economy requires that we work to eliminate social strife, which contributes to economic stagnation. Successful communities encourage participation across race and ethnic lines.

The trends spotlighted in this report tell a lot about what the South has become. The region is stronger than ever economically, but it also has growing gaps between its rich and poor and between its sprawling new-economy cities and its distressed rural communities. The South has discarded Jim Crow, but it faces the twin challenges of resolving lingering black/white divisions and of assimilating new immigrants who are rapidly creating a multiethnic South. The region offers more education to more of its people than ever, but now it must gear up for the lifelong learning demanded by a dynamic, high-tech economy.

The South has progressed when it has produced enlightened political and civic leaders. Now, it needs a generation of leaders to provide a new vision to guide the region in the global economy.

Scanning the States of the South

He spoke for far horizon. He spoke for change and chance. — Zora Neale Hurston

Even as the forces of globalization and technology leap across long-standing political boundaries, states continue to have critical roles in charting the South's future. It is states that set economic development policies for their regions and communities, finance public education, and provide essential infrastructure.

In this section of the report, therefore, we focus on key indicators and trends in the Southern states. On the pages that follow, we offer opinion leaders and decision-makers a summary assessment of how their state's economy has fared over the past two decades.

The state profiles draw on a common set of indicators, selected in the context of the report's principal findings. These are not comprehensive profiles in that they do not include data on education, income inequality, entrepreneurship, wages, and other factors important to a state's economic well-being. The profiles are intended as a supplement to the regional and state-level data presented in Chapters 2 and 3.

Here are some background notes to the state profiles:

- We analyzed 20-year employment change in each state using a method known as shift-share analysis. This technique separates and measures the effects of national growth, business mix, and a state's own competitiveness on job growth. Thus, the profiles include an estimate of the number of jobs by which a state exceeded or fell short of the national rate of employment growth.

- The term "unfavorable industry mix," used in several of the profiles, comes from the shift-share analysis. We say a state had an unfavorable mix in 1978 if it fit either of two categories:
  1. it had a high proportion of jobs in sectors that grew slowly or declined nationally in the ensuing two decades or
  2. it had a low proportion of jobs in sectors that grew rapidly in the U.S.

  Most Southern states had some degree of an unfavorable mix in 1978. This is so because the Southern economy, compared to the U.S., was dependent on nondurables manufacturing, farming, mining, and military bases, all slow-growth or declining sectors. Also, the Southern economy was less developed in service, retail, and other fast-growth sectors. This unfavorable mix placed the Southern states at a disadvantage; some states, however, overcame the disadvantageous mix and surpassed the U.S. job growth rate.

- In these profiles, we use the term "finance" as shorthand for the sector that includes finance, insurance, and real estate, often referred to as FIRE.

- All data cited in the state profiles come from the U.S. Department of Commerce 1998 and 1999 Regional Economic Information System (REIS), except data on employment in foreign affiliates and on high-tech employment, which are drawn from the same sources as the relevant charts in Chapter 2.

- Job gains and losses in all one-digit SIC sectors, the primary categories of business types, are shown in the bar graph titled "Employment Change," accompanying each state profile. The table, "Employment Sectors with

Greatest Job Gains and Losses," presents data from the two-digit SIC sectors (which are more-detailed subsectors) within manufacturing, transportation and utilities, retail trade, services, and government, the sectors with significant change within the South as a whole. Be aware that we did not analyze subsector employment within mining; construction; wholesale trade; or finance, insurance, and real estate. Consequently, the table does not show job losses for subsectors within mining nor losses in farming, which in some states exceeded the losses shown for some two-digit sectors. Similarly, the table does not show job gains in subsectors of wholesale trade, FIRE, and construction, which were substantial in many states.

Alabama

Uneven progress

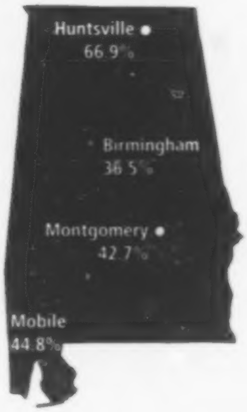
The Mercedes automobile assembly plant along I-20 between Birmingham and Tuscaloosa stands as a symbol of Alabama's quest to shift its economy into a higher gear. Indeed, the state has experienced significant job growth since the end of the 1970s — but its growth remains below the national rate.

Between 1978 and 1997, the Alabama economy gained 611,000 jobs. The state would have gained 730,000 jobs if it had grown at the national rate. During the same period, Alabama's population grew by 485,000 people — a growth rate below the national average.

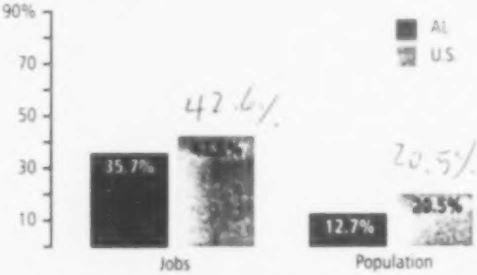
Alabama's relatively slow job growth stems from a business mix that was not favorable to rapid growth. Alabama entered the 20-year period with a high share of jobs in sectors that declined nationally, such as farming, nondurables manufacturing, federal civilian and military employment. And the state had relatively low employment in the sectors that would dominate job creation, especially the services, including business services, health, and education.

In the 1980s and 90s, Alabama exceeded the national growth rate in nearly all retail sectors, business and health services, and some transportation sectors. Meanwhile, Alabama had comparatively slow rates of growth in finance and in several service subsectors. Employment in textiles and apparel decreased at a slower rate in Alabama than in the U.S. as a whole, while several durables manufacturing sectors grew rapidly — industrial machinery jobs more than doubled; and furniture, electrical equipment, and motor vehicles manufacturing grew by more than 30 percent.

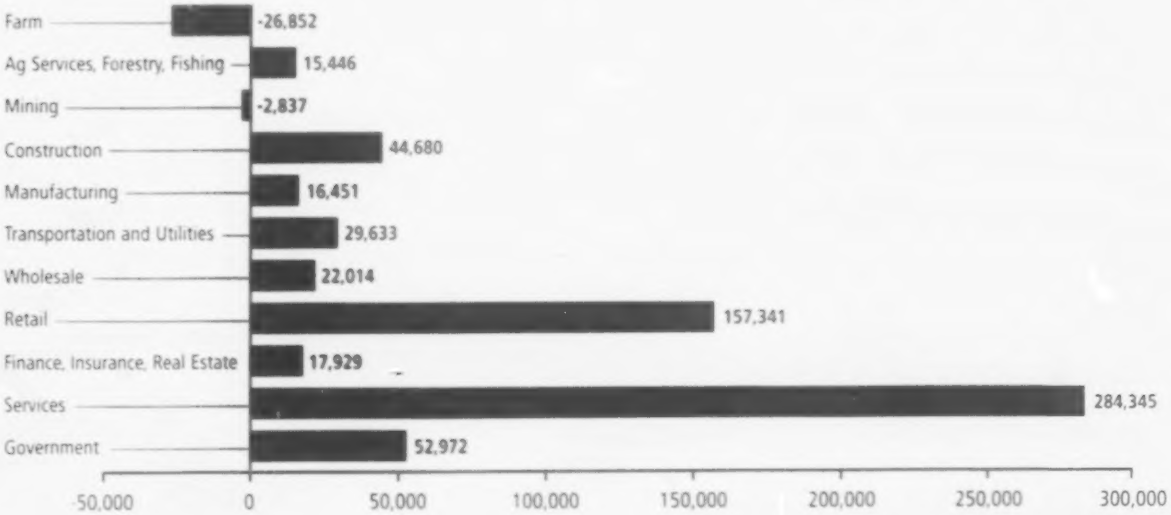
Job Growth, 1978-97



Job and Population Growth, 1978-97



Employment Change, 1978-97



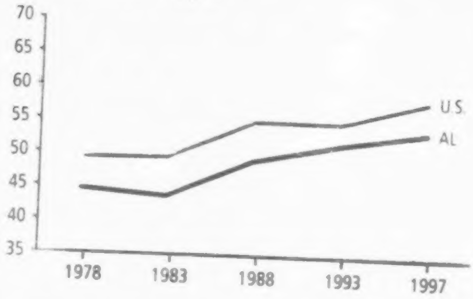
Because of high-tech nodes in Huntsville and Birmingham, Alabama ranks 29th among the states in high-tech employment with 32 high-tech workers per 1,000 but is below the national rate of 45 per 1,000. In information sector jobs and professional, scientific, and technical jobs, Alabama is well below the U.S. average but above average for the South.

As in the South as a whole, job growth in Alabama's metropolitan areas far outpaced rural employment gains — nearly 482,000 new metro jobs since 1978, contrasted with 130,000 rural jobs. About one-quarter of the state's employment expansion came in the Birmingham metro area, although that city's growth rate was barely one percentage point above the overall state rate of 35.7 percent. Mobile and Huntsville had markedly higher rates of growth, and each was responsible for 14 percent of the state's job gain.

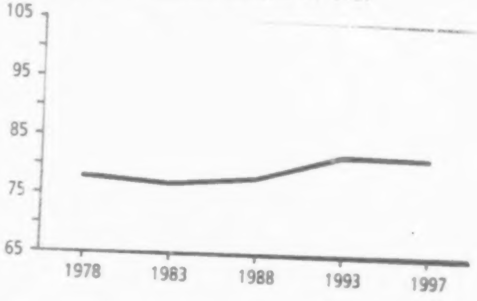
Foreign capital helped Alabama improve its industry mix, with the number of foreign-owed enterprises rising from around 100 in 1977 to more than 600 in 1997. Those 600 firms had combined assets of around $13 billion. Just over 3 percent of Alabama's total private employment is in foreign-owned companies. In manufacturing, however, nearly 11 percent of Alabama's jobs are in foreign-owned concerns.

Alabama has made progress in improving its business mix. It has a strong base to build on, but it remains more reliant on old-economy employment than the nation. To pick up the pace of job growth will require development of more new-economy enterprises.

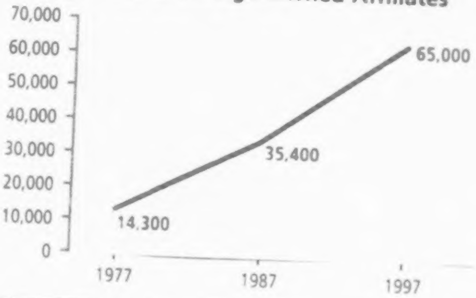
Jobs per 100 People



Per Capita Income: Percent of U.S.



Employment in Foreign-Owned Affiliates



Employment Sectors with Greatest Job Gains and Losses, 1978-97

	Alabama Employment Change, 1978-97	Percent Change, Alabama	Percent Change, U.S.	Alabama Employment 1997	Percent of all Alabama Jobs, 1997	Percent of all U.S. Jobs, 1997
Sectors with Greatest Job Growth*						
Business Services	87,778	282.2%	206.1%	118,880	5.1%	6.8%
Health Services	80,577	120.3%	105.1%	147,546	6.3%	7.0%
State and Local Government	70,156	32.9%	33.2%	283,680	12.2%	10.7%
Eating and Drinking Establishments	64,444	120.3%	75.0%	118,008	5.1%	5.3%
Trucking and Warehousing	19,417	74.0%	41.6%	45,645	2.0%	1.5%
Food Stores	19,403	49.5%	49.6%	58,636	2.5%	2.4%
General Merchandise Stores	17,807	55.3%	18.4%	50,029	2.2%	1.8%
Industrial Machinery Manufacturing	16,966	113.7%	-6.3%	31,890	1.4%	1.4%
Personal Services	16,680	65.0%	67.8%	42,351	1.8%	1.9%
Social Services	13,853	119.5%	163.5%	25,448	1.1%	1.7%
Sectors with Greatest Job Loss						
Apparel Manufacturing	-14,604	-27.0%	-36.0%	39,540	1.7%	0.6%
Federal, civilian	-10,870	16.9%	-4.3%	53,549	2.3%	1.8%
Military	-6,314	-12.4%	-11.6%	44,446	1.9%	1.4%
Textile Manufacturing	-5,731	12.5%	-32.1%	40,174	1.7%	0.4%
Chemicals and Allied Products Manufacturing	-3,454	-21.9%	-5.6%	12,295	0.5%	0.7%

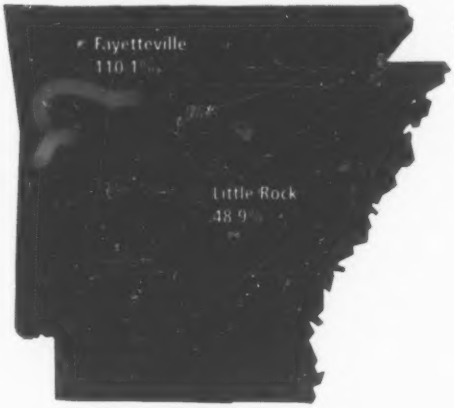
The top ten growth sectors account for 58% of job growth and 40% of all jobs in 1997.

90

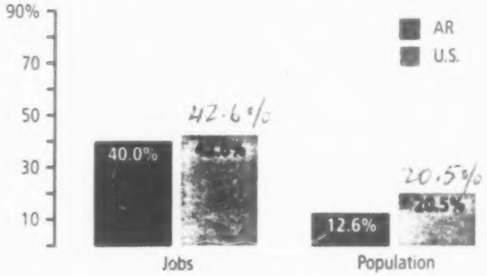
Arkansas

More than just the breadbasket

Job Growth, 1978-97



Job and Population Growth, 1978-97



Vast fields of rice and soybeans stretch west from the Mississippi River, the flat green landscape punctuated here and there by spidery irrigation contraptions, crop dusters overhead, and Wal-Mart warehouses. Arkansans sell rice to the Japanese, and Latino immigrants stream to the state to work in poultry processing plants. The forces of globalization have not left Arkansas untouched, but the state still struggles with its low-wage, low-skill economic legacy.

Between 1978 and 1997, Arkansas' population grew by 12.6 percent, well below the U.S. rate. The state's job growth of 40 percent nearly matched the U.S., as Arkansas gained 409,000 jobs.

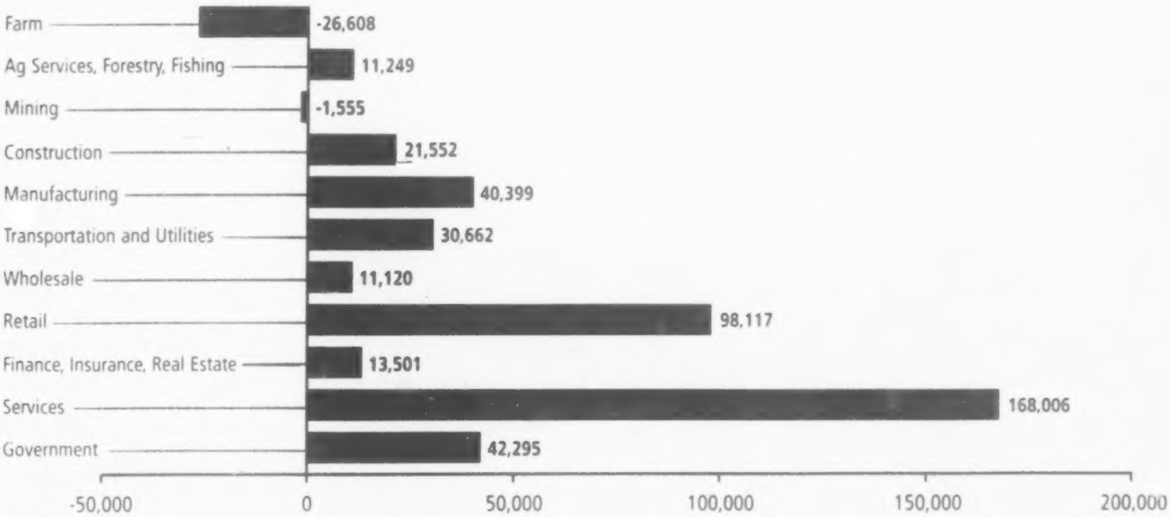
The state added more jobs in services than in any other sector. It expanded employment in business and health services at a rate greater than the U.S., but its overall growth in services was below the national rate.

At the same time, Arkansas far outpaced the national rate of job growth in general merchandise stores, food products manufacturing, and trucking and warehousing — not surprising in a state that serves as headquarters of Wal-Mart, the J.B. Hunt trucking company, and Tyson's poultry.

Job growth over the past two decades has allowed Arkansas to narrow the gap with the U.S. in jobs per 100 people. The state went from 46 jobs per 100 to 57 jobs per 100, within two percentage points of the U.S. level.

And yet, Arkansas did not narrow the gap with the U.S. in per capita income during this period. Its 1978 per capita income was 78.4

Employment Change, 1978-97



percent of the U.S. and its 1997 per capita income was somewhat lower, at 77.5 percent of the U.S. level.

In both job growth and income, the state has suffered from an unfavorable business mix. In the past, Arkansas had a high proportion of farming jobs and a low proportion of jobs in national growth sectors such as finance, wholesale trade, and services. Arkansas grew more slowly than the U.S. in construction, finance, and services. The state continues to lose jobs in farming.

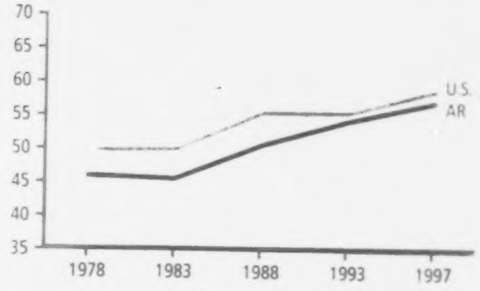
Metro areas accounted for two out of three jobs gained in Arkansas since 1978. Thirty percent of the state's job growth came in the Little Rock metro area, while the much smaller city of Fayetteville contributed 23 percent of the state's new jobs.

While immigration is altering the cultural face of the state, foreign investment is less prominent in Arkansas than in other Southern states. Foreign-owned enterprises account for 35,000 jobs, or 3 percent of total private employment.

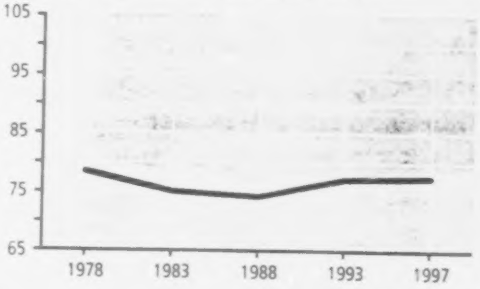
Despite improvements in the Arkansas economy, the state still has a low concentration of high-technology employment. It ranks 41st among the states, with only 20 high-tech workers per 1,000 private sector employees. It also ranks low on professional, scientific, and technical workers per 1,000 and on projected increase in information technology jobs.

Matching the nation in job growth is a sign of progress. Now the challenge for Arkansas is to improve the quality of its jobs.

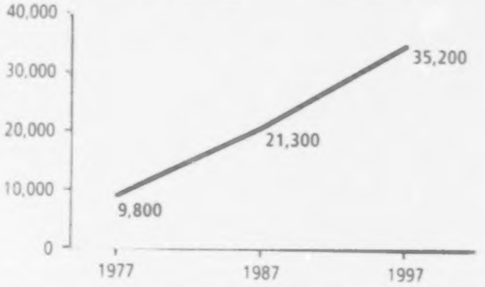
Jobs per 100 People



Per Capita Income: Percent of U.S.



Employment in Foreign-Owned Affiliates



Employment Sectors with Greatest Job Gains and Losses, 1978-97

	Arkansas Employment Change, 1978-97	Percent Change, Arkansas	Percent Change, U.S.	Arkansas Employment 1997	Percent of all Arkansas Jobs, 1997	Percent of all U.S. Jobs, 1997
Sectors with Greatest Job Growth *						
Health Services	57,988	133.5%	105.1%	101,429	7.1%	7.0%
Business Services	52,213	327.8%	206.1%	68,142	4.8%	6.8%
State and Local Government	47,048	42.0%	33.2%	159,065	11.1%	10.7%
Eating and Drinking Establishments	33,476	95.9%	75.0%	68,369	4.8%	5.3%
General Merchandise Stores	28,481	155.3%	18.4%	46,823	3.3%	1.8%
Food and Kindred Products Manufacturing	26,481	85.4%	-1.3%	57,477	4.0%	1.1%
Trucking and Warehousing	22,870	116.5%	41.6%	42,506	3.0%	1.5%
Social Services	14,379	176.0%	163.5%	22,551	1.6%	1.7%
Food Stores	9,648	41.1%	49.6%	33,107	2.3%	2.4%
Motor Vehicles/Transport. Equip. Manufacturing	8,930	111.9%	-8.3%	16,912	1.2%	1.2%
Sectors with Greatest Job Loss						
Apparel Manufacturing	-6,702	-44.1%	-36.0%	8,491	0.6%	0.6%
Military	-5,330	21.3%	-11.6%	19,705	1.4%	1.4%
Electronic Equipment Manufacturing	-3,635	-15.1%	-14.8%	20,442	1.4%	1.1%
Furniture and Fixtures Manufacturing	-1,910	14.7%	7.0%	11,053	0.8%	0.3%
Apparel and Accessory Stores	-799	-8.3%	22.4%	8,891	0.6%	0.8%

* *The top ten growth sectors account for 65% of job growth and 43% of all jobs in 1997.*

Florida

Ready to serve and trade

More than most Southern states, Florida has long looked beyond its borders for economic sustenance. It has sought tourists from around the country and around the world. And, geographically thrusting out into deep water, Florida was a leader in international trade well before the burgeoning of the global economy.

Over the past two decades, Florida has grown much faster than the nation in both population and jobs. Its population rose by 60 percent, while jobs increased by nearly 90 percent, by far the highest rate in the South.

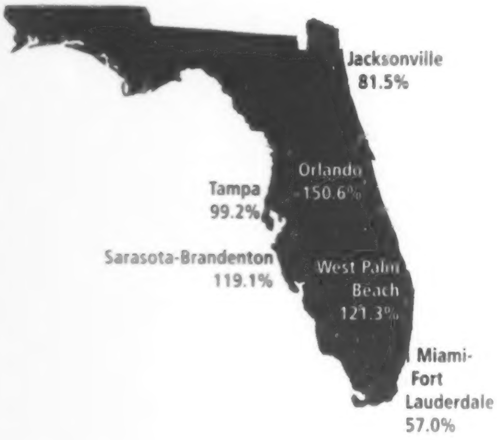
The Florida economy gained 3.8 million jobs between 1978 and 1997. Had it grown at the national rate, it would have added only 1.8 million jobs. What factors led to its robust job growth?

First, the state has had little dependency on manufacturing. Over the past two decades, Florida gained manufacturing jobs, particularly in printing and publishing, industrial machinery, and electronic equipment. But manufacturing has always been a modest segment of its economic base and, unlike other Southern states, Florida never relied on textile and apparel employment.

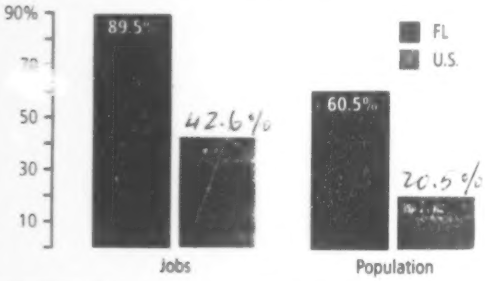
Second, population growth has fueled job growth. Construction jobs went up nearly 75 percent. Wholesale and retail jobs nearly doubled. Job growth has been especially strong in Florida's very large — and growing — metropolitan areas. While rural jobs increased, metro areas have accounted for 95 percent of Florida's 20-year job growth.

Third, Florida's employment mix in the late 70s gave the state a strong base in the sectors that boomed nationally during the 80s and 90s.

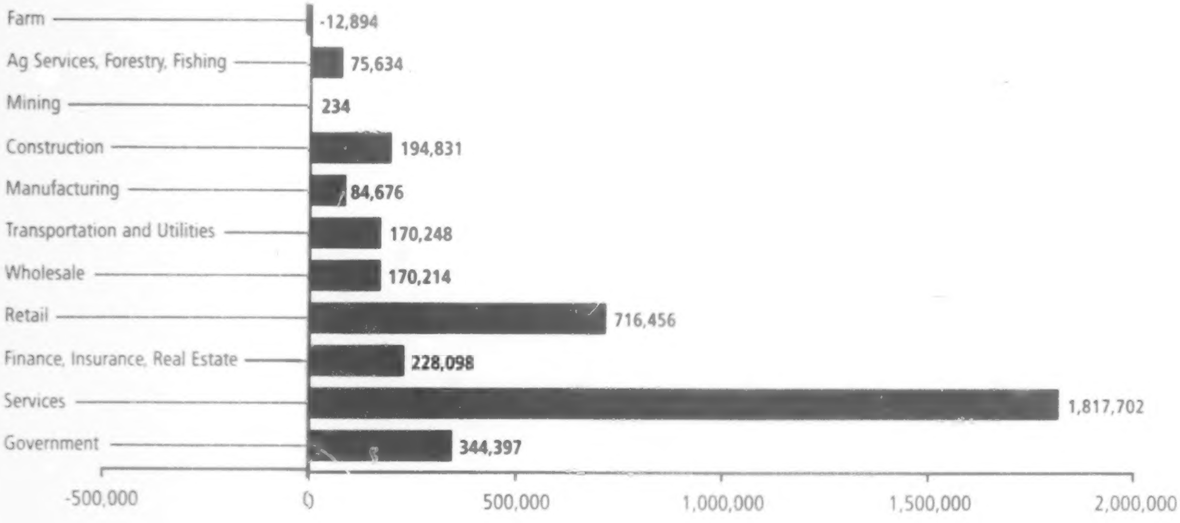
Job Growth, 1978-97



Job and Population Growth, 1978-97



Employment Change, 1978-97



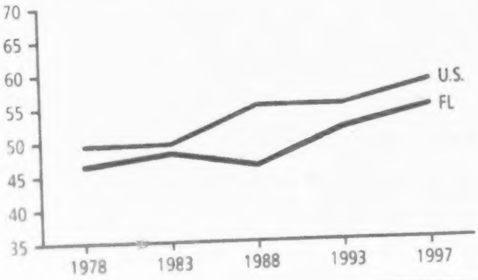
Florida had the infrastructure to take advantage of rapid growth in services, trade, and transportation. Jobs in services increased by 180 percent, adding more than 1.8 million service jobs. Jobs in business services and health services grew at double the national rate.

Florida ranks second to Texas among the Southern states in the number of foreign-owned businesses, as well as in the value of foreign firms' assets. In 1997, more than 240,000 Floridians worked in foreign-owned enterprises — 10 times more than in 1979.

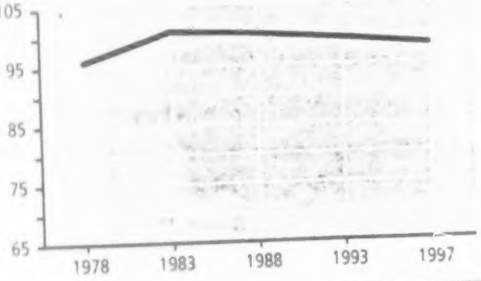
There are warning signs for Florida. Through much of the 80s, the state's per capita income reached 100 percent of the U.S. level, but by 1997 Florida had slipped to 98 percent. More worrisome is Florida's relative weakness in high-tech employment. Despite its booming economy, Florida ranks 26th among the states in high-tech workers per 1,000 private sector workers. It is above the U.S. average in professional, scientific, and technical workers per 1,000 and close to the U.S. average in information sector workers per 1,000. But projections for growth in core information technology jobs place Florida below the national average.

Florida's rapid population growth is a sign of its vigor and a challenge to its future. It has received streams of retirees and many Spanish-speaking immigrants. More recently it has had the largest increase in black population of the Southern states. The building of strong civic cultures in Florida's communities is a critical requirement for keeping the state's economy vibrant.

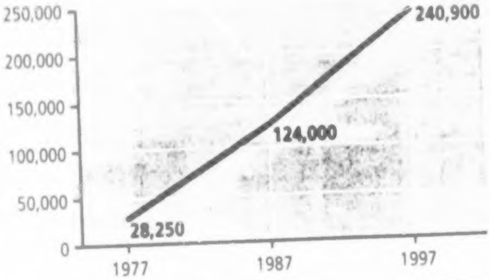
Jobs per 100 People



Per Capita Income: Percent of U.S.



Employment in Foreign-Owned Affiliates



Employment Sectors with Greatest Job Gains and Losses, 1978-97

	Florida Employment Change, 1978-97	Percent Change, Florida	Percent Change, U.S.	Florida Employment 1997	Percent of all Florida Jobs, 1997	Percent of all U.S. Jobs, 1997
Sectors with Greatest Job Growth*						
Business Services	596,802	427.0%	206.0%	736,575	9.2%	6.8%
Health Services	430,771	210.7%	105.1%	635,202	7.9%	7.0%
State and Local Government	317,634	64.2%	33.2%	812,132	10.1%	10.7%
Eating and Drinking Establishments	260,180	125.3%	75.0%	467,863	5.8%	5.3%
Food Stores	138,101	117.5%	49.6%	255,663	3.2%	2.4%
Amusement Services	117,437	165.5%	141.8%	188,403	2.3%	1.6%
Social Services	89,964	283.4%	163.5%	121,714	1.5%	1.7%
Personal Services	84,498	121.8%	67.8%	153,871	1.9%	1.9%
Hotels and Other Lodging Places	64,960	69.3%	65.2%	158,679	2.0%	1.2%
Educational Services	49,826	114.6%	92.4%	93,317	1.2%	1.8%
Sectors with Greatest Job Loss						
Food and Kindred Products Manufacturing	-10,498	-20.0%	-1.3%	41,871	0.5%	1.1%
Apparel Manufacturing	-8,987	-25.9%	-36.0%	25,675	0.3%	0.6%
Chemicals and Allied Products Manufacturing	-5,025	-19.5%	-5.7%	20,716	0.3%	0.7%
Military	-4,204	-3.5%	-11.6%	117,460	1.5%	1.4%
Paper and Allied Products Manufacturing	-1,431	-8.7%	-1.0%	14,944	0.2%	0.4%

** The top ten growth sectors account for 56% of job growth and 45% of all jobs in 1997.*

Georgia

Powered by Atlanta

The 1996 Olympics heralded Atlanta's emergence as an international city. The transformation of metro Atlanta into a new-economy city has stimulated rapid population and job growth. Two out of three jobs gained by Georgia over the past 20 years have come in the Atlanta metro area.

From 1978 to 1997, the Georgia economy gained 1.8 million jobs — 1.2 million in the Atlanta region. The state's economy far outpaced the national employment growth rate. Had Georgia grown at the national rate, the state would have added 700,000 fewer jobs during this period.

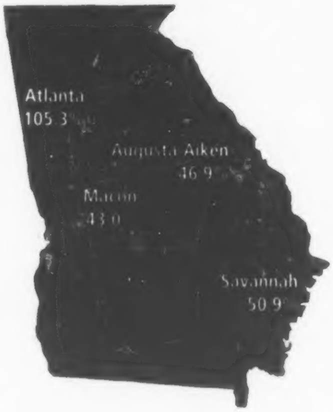
The state had employment and population growth rates substantially above both the U.S. and the South. Georgia's population jumped by more than 1.2 million people in the 90s, as Atlanta's vibrant economy attracted newcomers from other states and many foreign countries.

At the end of the 70s, Georgia had a somewhat unfavorable business mix, with a high proportion of jobs in the military and in four manufacturing sectors that declined nationally during the 80s and 90s — textiles, apparel, food processing, and paper.

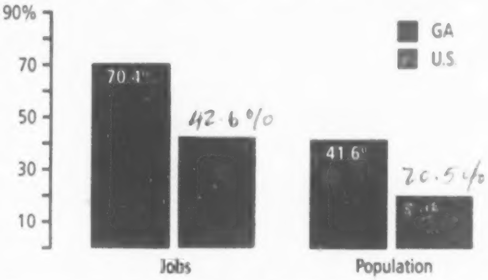
By the end of the 1990s, Georgia had lost jobs in farming, textiles, and apparel, while gaining jobs in every other sector. In manufacturing, it added the most jobs in printing and publishing, industrial machinery, electronic equipment, and food processing.

Led by Atlanta, the Georgia economy has added large numbers of jobs in retail and services. The state grew in health services at double the

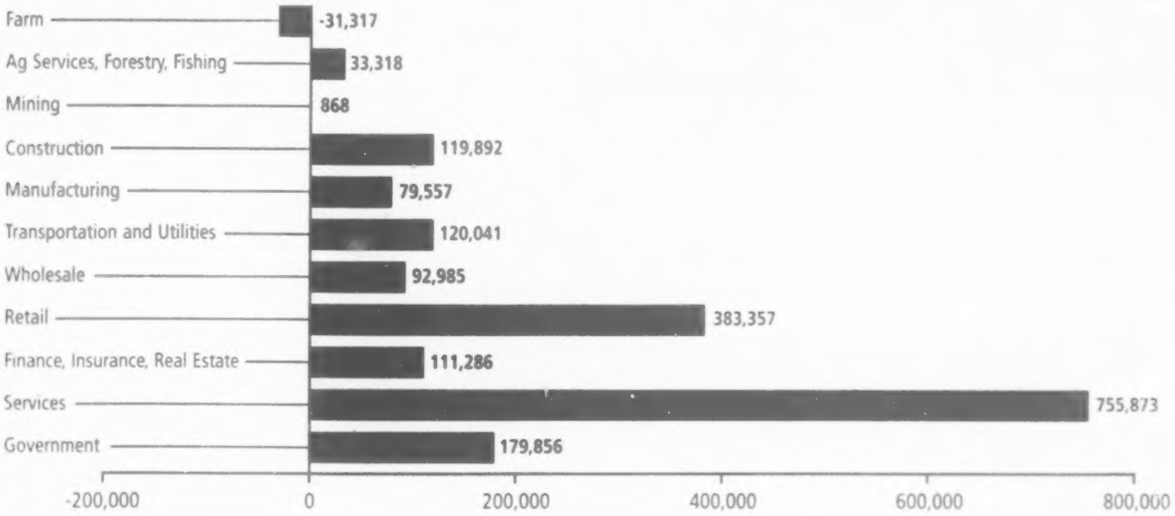
Job Growth, 1978-97



Job and Population Growth, 1978-97



Employment Change, 1978-97



national rate, and nearly double in business services. It more than doubled the national rate in retail job growth.

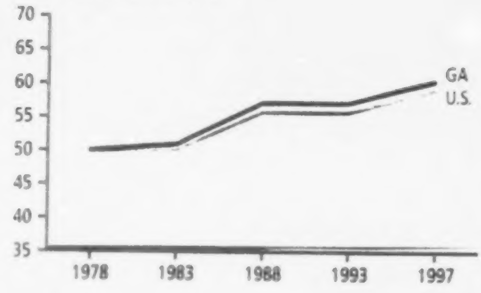
Georgia's communications sector grew by 127 percent, more than four times the national rate. Indeed, Georgia has 22.5 information sector jobs per 1,000 private sector jobs, surpassing the national rate of 19.6 per 1,000. Core information technology jobs are projected to increase faster in Georgia than in the U.S. And in high-tech employment, Georgia equals the national average of 46 high-tech jobs per 1,000 private sector jobs.

Such Atlanta institutions as the Coca-Cola Company, Cable News Network, and Hartsfield International Airport demonstrate Georgia's connections to the global economy. Meanwhile, foreign direct investment has contributed to the reshaping of the state's economy. Foreign-owned enterprises increased from fewer than 400 in 1978 to more than 1,400 in 1997. And Georgians employed in foreign-owned companies jumped from 30,600 to 188,900 in the same period.

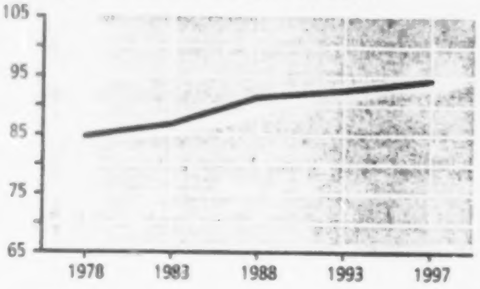
Job growth and diversification has had a dramatic effect on Georgia's personal income level — its per capita income went from 84 percent of U.S. to 94 percent of U.S. in 20 years. That Georgia remains below the U.S. level in per capita income suggests that it retains considerable old-economy influence in its business mix.

Georgia has come a long way in the past 20 years. To assure continued advancement, it must work toward keeping the Atlanta region healthy, while extending prosperity to rural communities.

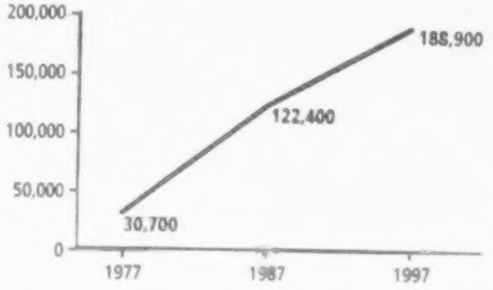
Jobs per 100 People



Per Capita Income: Percent of U.S.



Employment in Foreign-Owned Affiliates



Employment Sectors with Greatest Job Gains and Losses, 1978-97

	Georgia Employment Change, 1978-97	Percent Change, Georgia	Percent Change, U.S.	Georgia Employment 1997	Percent of all Georgia Jobs, 1997	Percent of all U.S. Jobs, 1997
Sectors with Greatest Job Growth *						
Business Services	**263,982**	**397.1%**	**206.1%**	**330,454**	**7.4%**	**6.8%**
Health Services	178,526	228.7%	105.1%	256,605	5.7%	7.0%
Eating and Drinking Establishments	**160,218**	**169.7%**	**75.0%**	**254,644**	**5.7%**	**5.3%**
State and Local Government	156,611	48.5%	33.2%	479,226	10.7%	10.7%
Food Stores	**58,381**	**106.6%**	**49.6%**	**113,132**	**2.5%**	**2.4%**
Educational Services	40,858	145.2%	92.4%	69,004	1.5%	1.8%
Communications	**39,768**	**126.7%**	**26.8%**	**71,152**	**1.6%**	**1.0%**
Personal Services	37,689	96.7%	67.8%	76,683	1.7%	1.9%
Amusement Services	**32,634**	**191.5%**	**141.8%**	**49,676**	**1.1%**	**1.6%**
Trucking and Warehousing	31,580	75.0%	41.6%	73,687	1.6%	1.5%
Sectors with Job Loss						
Apparel Manufacturing	**-39,593**	**-52.3%**	**-36.0%**	**36,062**	**0.8%**	**0.6%**
Textile Manufacturing	-16,938	13.6%	-32.1%	107,861	2.4%	0.4%

* *The top ten growth sectors account for 52% of job growth and 40% of all jobs in 1997.*

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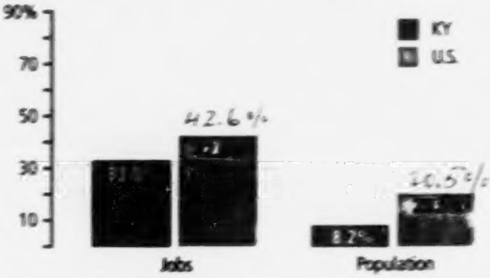
Kentucky

From tobacco to Toyotas

Job Growth, 1978-97

Louisville
Lexington

Job and Population Growth, 1978-97



Hard, yet low-paying, work has long characterized the Kentucky economy — raising horses, growing tobacco, mining coal, and making bourbon. In recent years, Kentucky has become more diversified — building automobiles and shipping packages — but a historically unfavorable business mix still creates a drag on the state's economy.

Kentucky gained 543,000 jobs between 1978 and 1997. Its growth trailed both national and Southern rates. Kentucky would have added 700,000 jobs if it had matched the national growth rate. In the same period, Kentucky's population increased by only 8.2 percent, far behind Southern growth of 30 percent and U.S. growth of 20.5 percent.

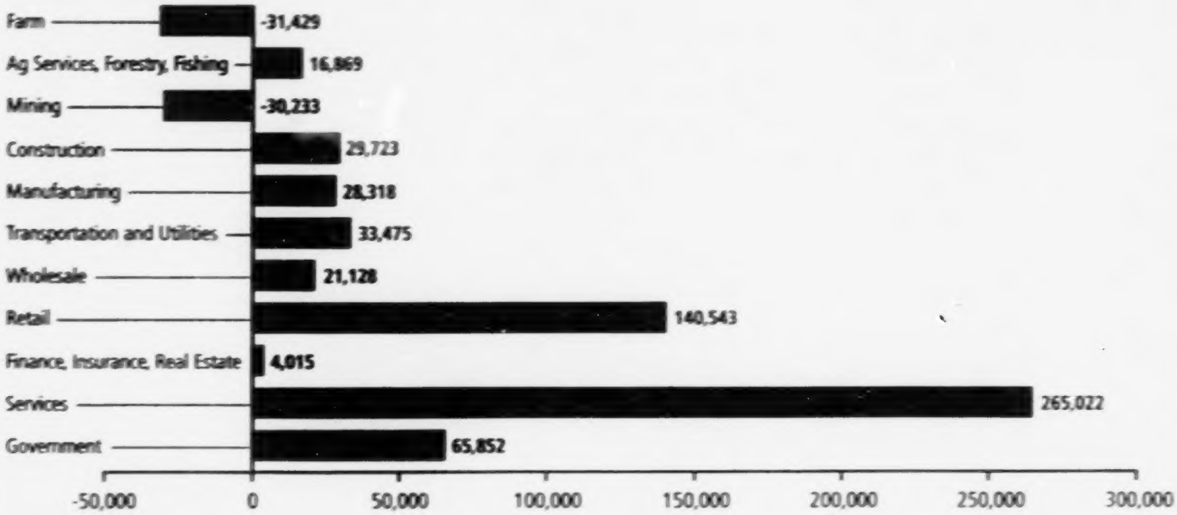
Mainstays of the Kentucky economy have declined dramatically over the past two decades. Employment in mining has dropped by more than half and tobacco manufacturing jobs by 65 percent.

Kentucky remains the Southern state most dependent on farming, which accounted for 5 percent of the state's jobs in 1997. Yet in the past two decades, with Kentucky's small tobacco farms especially vulnerable to international competition, farm employment dropped by 31,400.

Meanwhile, with new businesses having been spawned in the state, Kentucky has experienced growth in business and health services at slightly higher rates than the nation. Services and retail have been the strongest sectors in providing additional jobs.

Kentucky has far outpaced the nation in air transportation and motor vehicle manufacturing — with United Parcel Service shipping packages through Louisville and Toyota assembling automobiles near Lexington. Over the past two decades, the state has had 1,400 percent

Employment Change, 1978-97



job growth in air transportation, and 132 percent in auto-making, contrasted with an 8 percent decline nationally. The Louisville and Lexington metro areas combined accounted for almost half of the job growth in Kentucky since 1977.

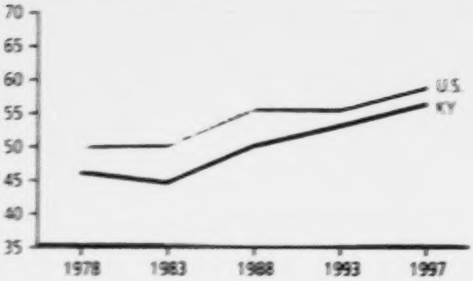
Foreign-direct investment has made a major contribution to shifts in the Kentucky economy. The number of foreign-owned enterprises rose from about 100 in 1977 to nearly 700 at the end of the 90s. One in five Kentuckians employed in manufacturing works in a plant with foreign ownership — the highest percentage in the South.

Despite job growth and some diversification, the Kentucky economy has not narrowed the gap between the state and the nation in per capita income over the past two decades. In 1978, Kentucky's per capita income was 81 percent of the nation's per capita income, and it remained at 81 percent in 1997.

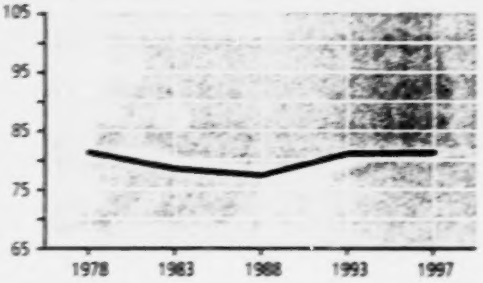
Also, the state has been slow to expand high-tech employment. It has only 22 high-tech workers per 1,000 private sector employees, placing it 39th among the states. Its employment in information sector jobs and professional, scientific, and technical jobs is well below the U.S. average.

While having made progress in diversifying its economy, the state has more work to do to expand its reach into the new economy. Especially through continued efforts to improve education, Kentucky must persist in making the transition from an economy featuring hard work to one defined more by smart work.

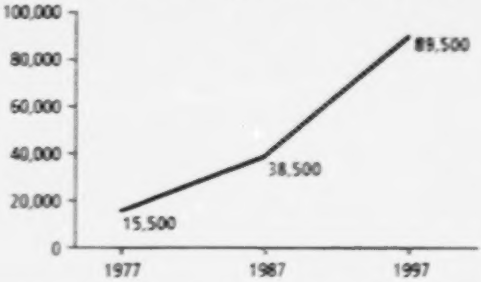
Jobs per 100 People



Per Capita Income: Percent of U.S.



Employment in Foreign-Owned Affiliates



Employment Sectors with Greatest Job Gains and Losses, 1978-97

	Kentucky Employment Change, 1978-97	Percent Change, Kentucky	Percent Change, U.S.	Kentucky Employment 1997	Percent of all Kentucky Jobs, 1997	Percent of all U.S. Jobs, 1997
Sectors with Greatest Job Growth *						
Health Services	**88,677**	**119.9%**	**105.1%**	**162,624**	**7.4%**	**7.0%**
Business Services	79,791	280.9%	206.1%	108,193	4.9%	6.8%
State and Local Government	**72,782**	**43.1%**	**33.2%**	**241,679**	**11.0%**	**10.7%**
Eating and Drinking Establishments	61,857	103.4%	75.0%	121,684	5.6%	5.3%
Air Transportation	**25,922**	**1438.5%**	**176.3%**	**27,724**	**1.3%**	**0.7%**
Motor Vehicles/Transport. Equip. Manufacturing	21,392	132.0%	-8.3%	37,602	1.7%	1.2%
General Merchandise Stores	**20,213**	**69.6%**	**18.4%**	**49,261**	**2.3%**	**1.8%**
Food Stores	17,768	44.5%	49.6%	57,707	2.6%	2.4%
Educational Services	**12,762**	**90.7%**	**92.4%**	**26,825**	**1.2%**	**1.8%**
Amusement Services	11,695	89.4%	141.8%	24,780	1.1%	1.6%
Sectors with Greatest Job Loss						
Electronic Equipment Manufacturing	**-15,014**	**-37.4%**	**-14.8%**	**25,118**	**1.1%**	**1.1%**
Tobacco Products Manufacturing	-7,865	-65.2%	-39.7%	4,203	0.2%	0.03%
Military	**-6,219**	**-11.5%**	**-11.6%**	**47,922**	**2.2%**	**1.4%**
Apparel Manufacturing	-2,919	-10.5%	-36.0%	24,976	1.1%	0.6%
Industrial Machinery Manufacturing	**-1,390**	**-3.6%**	**-6.3%**	**36,988**	**1.7%**	**1.4%**

* *The top ten growth sectors account for 63% of job growth and 39% of all jobs in 1997.*

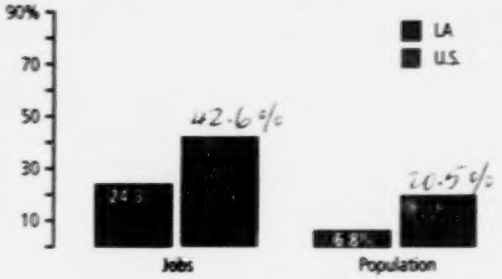
Louisiana

Gumbo needs more ingredients

Job Growth, 1978-97

New Orleans
17.4

Job and Population Growth, 1978-97



Unfortunately for Louisiana, its economic mix is not as hearty as the gumbo served daily at thousands of tables. The state has a job market acutely sensitive to oil: when oil drilling expands, so do Louisiana jobs, and when oil declines, jobs drop off.

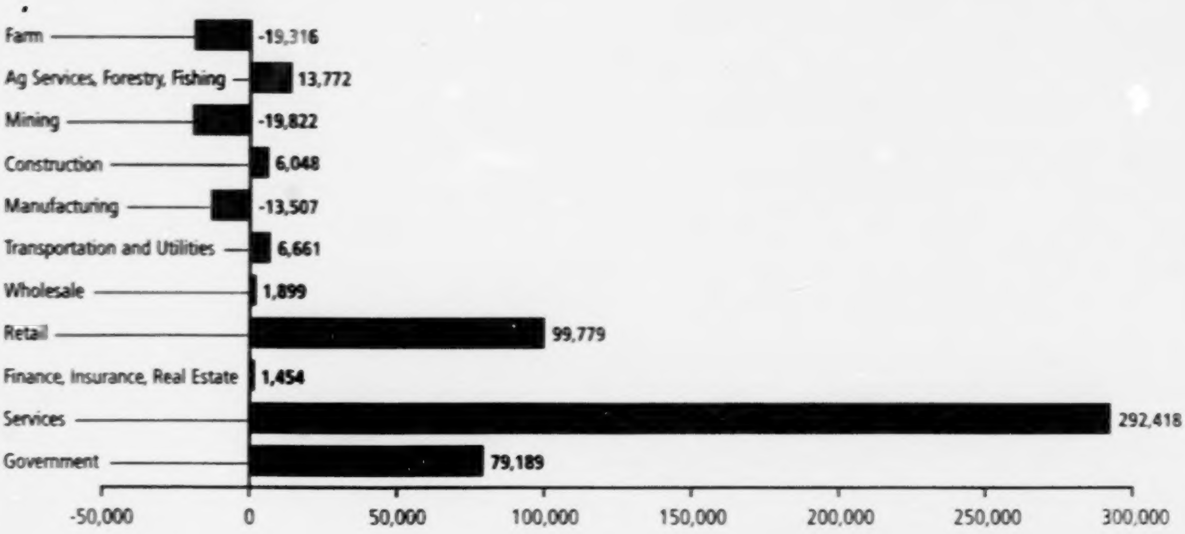
From 1978 to 1997, the Louisiana economy gained nearly 450,000 jobs, representing growth well below the national rate. Had the state's economy grown at the national rate, Louisiana would have produced 787,000 jobs in the 20-year period.

Much of Louisiana's employment gains came in services and retail trade — but in both sectors Louisiana trailed the national rate of growth. Louisiana exceeded the national growth rate in health services and in amusements. It lagged far behind, however, in the growth of business services.

Louisiana's slower job growth is linked to its rather modest population growth. From a base population of 4.2 million, Louisiana suffered from heavy out-migration for a time during the 1978-1997 period, ending with a gain of only 200,000 people.

Louisiana's industry mix also has provided a drag on the state's growth. Louisiana entered this 20-year period with a large share of jobs in industries that declined nationally — including oil extraction and

Employment Change, 1978-97



processing, chemicals, and paper manufacturing. It had a small share of jobs in service and retail sectors that produced the lion's share of national employment growth. Louisiana followed the national trend of job loss in mining, farming, and most manufacturing sectors from 1978 to 1997.

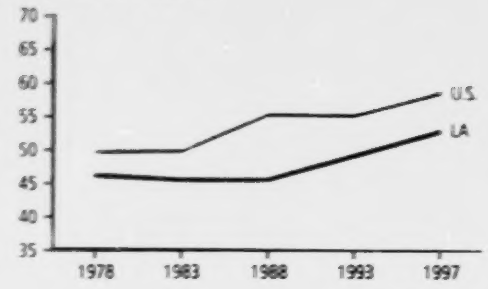
About 3 percent of Louisiana's private employment is in foreign-owned enterprises. Nearly 11 percent of its manufacturing workforce is in foreign-owned plants.

The state capital, Baton Rouge, has had a significant economic surge. With a job growth rate of 52 percent since 1978, the Baton Rouge metro area expanded employment at more than twice the state rate. Indeed, Baton Rouge created more jobs than the much-larger New Orleans metro area.

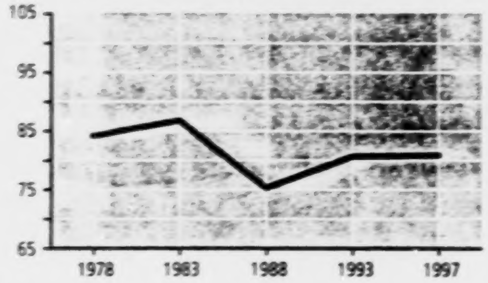
Louisiana has lost ground since the early 80s in per capita income as a percentage of U.S. per capita income, and it ranks low on several new-economy measures. Louisiana is 49th among the states in high-tech jobs, and it is well below the national average in information sector employment. It has opportunity for improvements in sectors such as finance and business services, which remain greatly underdeveloped.

To make additional advances, Louisiana clearly has to enrich its economic mix, to spice the gumbo with more new-economy ingredients.

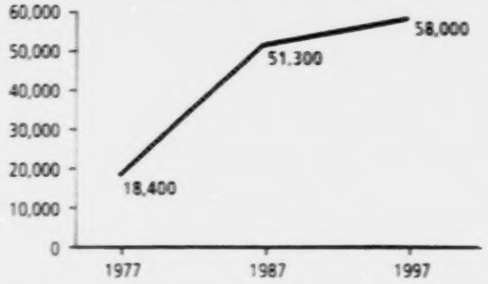
Jobs per 100 People



Per Capita Income: Percent of U.S.



Employment in Foreign-Owned Affiliates



Employment Sectors with Greatest Job Gains and Losses, 1978-97

	Louisiana Employment Change, 1978-97	Percent Change, Louisiana	Percent Change, U.S.	Louisiana Employment 1997	Percent of all Louisiana Jobs, 1997	Percent of all U.S. Jobs, 1997
Sectors with Greatest Job Growth *						
Health Services	104,758	139.3%	105.1%	179,950	7.8%	7.0%
State and Local Government	79,306	32.7%	33.2%	321,651	14.0%	10.7%
Business Services	60,389	109.8%	206.1%	115,389	5.0%	6.8%
Eating and Drinking Establishments	51,749	67.8%	75.0%	128,065	5.6%	5.3%
Amusement Services	33,805	269.8%	141.8%	46,334	2.0%	1.6%
Social Services	19,211	148.3%	163.5%	32,163	1.4%	1.7%
Personal Services	15,061	53.2%	67.8%	43,382	1.9%	1.9%
Educational Services	14,782	72.3%	92.4%	35,222	1.5%	1.8%
Food Stores	14,767	29.8%	49.6%	64,245	2.8%	2.4%
Trucking and Warehousing	8,322	31.2%	41.6%	34,966	1.5%	1.5%
Sectors with Greatest Job Loss						
Food and Kindred Products Manufacturing	-6,915	-24.3%	-1.3%	21,529	0.9%	1.1%
Electronic Equipment Manufacturing	-6,227	56.2%	-14.8%	4,851	0.2%	1.1%
Apparel Manufacturing	-3,812	-33.2%	-36.0%	7,678	0.3%	0.6%
Paper and Allied Products Manufacturing	-3,023	20.1%	-1.0%	12,007	0.5%	0.4%
Communications	-2,138	-9.7%	26.8%	19,814	0.9%	1.0%

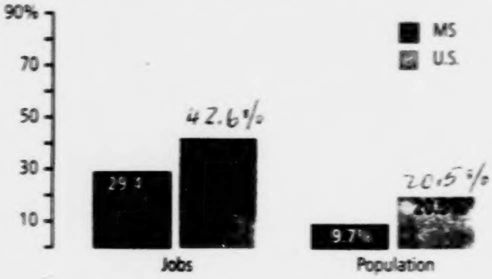
** The top ten growth sectors account for 76% of job growth and 44% of all jobs in 1997.*

Mississippi

Gambling for economic change

Job Growth, 1978-97

Job and Population Growth, 1978-97



Riverboats have long been workhorses for Mississippi's economy. Today's Mississippi, however, features riverboats that don't leave the dock, and they provide work in serving up food and fun rather than muscular blue-collar jobs.

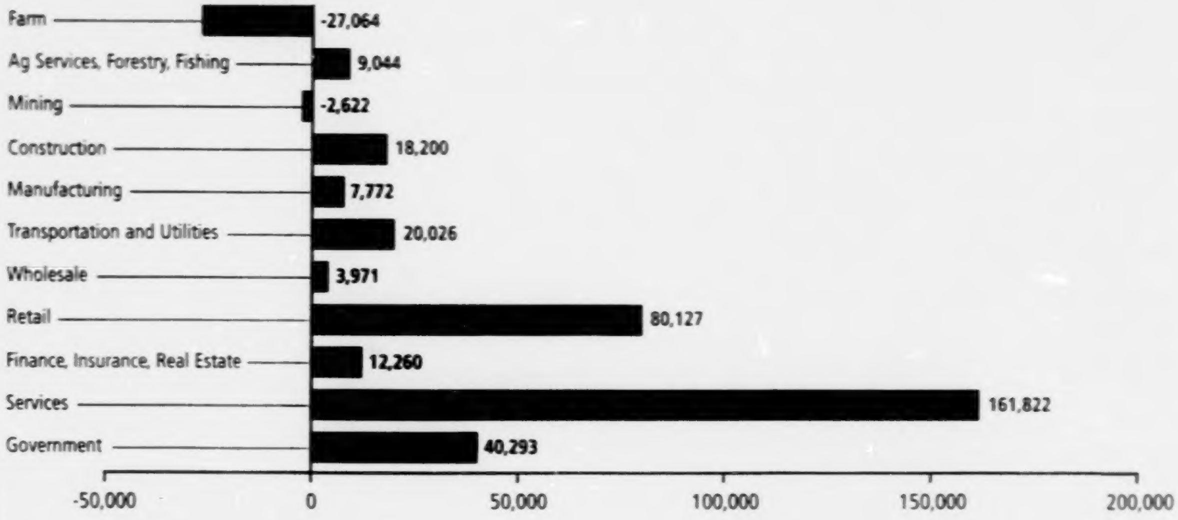
Over the past 20 years, gambling along the Mississippi River and the Gulf Coast has fueled much of the state's job growth. One out of five jobs gained in Mississippi since 1978 came in amusements, eating and drinking establishments, and in hotels and other lodgings, with each sector exceeding national growth rates.

The Mississippi economy gained 324,000 jobs between 1978 and 1997. Its job growth of 29 percent was below both the Southern and national rates. Had the Mississippi economy grown at the national rate, the state would have gained 469,000 jobs. During this period, Mississippi's population also grew slowly, increasing by less than 10 percent.

Like other Deep South states, Mississippi began this period with an unfavorable employment mix. It started with a high share of jobs in sectors that declined nationally, including farming, several manufacturing sectors, and the military. It had a low proportion of jobs in almost all sectors that grew rapidly in the national economy, especially retail and services.

Mississippi had substantial increases in service and retail employment, but it is still playing catch-up. Growth in retail employment — 52 percent — matched the national growth rate, and growth in services — 86 percent — was below the U.S rate. It also had slower growth than the

Employment Change, 1978-97



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U.S. in wholesale, construction, and finance. Mississippi lost jobs in mining, farming, and several nondurables manufacturing sectors.

Mississippi's cities have not produced significantly more new jobs than its rural areas. Jackson accounts for 25 percent of the state's job growth over the two decades, Biloxi-Gulfport 16 percent. Nonmetro areas, meanwhile, have produced about 45 percent of the state's new jobs.

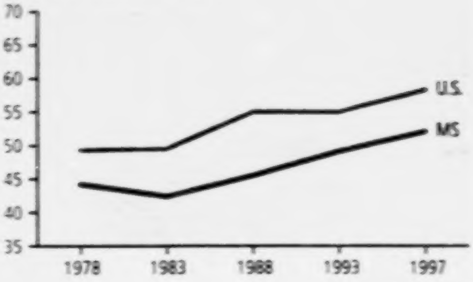
Foreign investment has played less of a role in Mississippi than in most Southern states. In 1997, fewer than 5 percent of its manufacturing workers were in foreign-owned plants.

The state's employment growth and shifts over the past 20 years did not produce a significant gain in per capita income relative to the U.S. With per capita income at 72 percent of the U.S. level, Mississippi ranks lowest in the South.

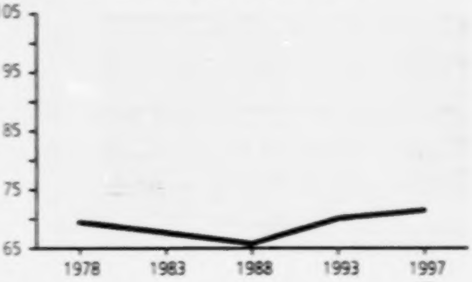
While Jackson has become home to an international telecommunications giant, Mississippi still ranks low on high-tech and digital employment. It places 48th among the states in high-tech workers per 1,000 private sector employees and last among the Southern states in information sector jobs and professional, scientific, and technical jobs per 1,000. It is well below the U.S. average in projected increase for core information technology jobs.

While Mississippi used gambling to stimulate job growth in historically impoverished areas, the state remains in need of not only more jobs but also better jobs. To shed its reliance on low-wage, low-skill employment will require of Mississippi a strategy to intensify its movement into the new economy.

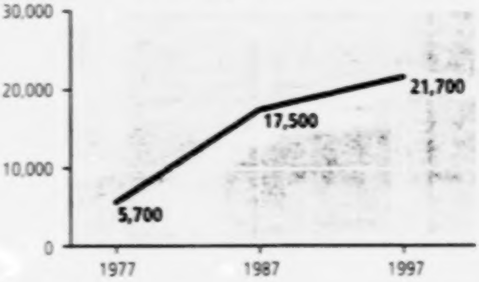
Jobs per 100 People



Per Capita Income: Percent of U.S.



Employment in Foreign-Owned Affiliates



Employment Sectors with Greatest Job Gains and Losses, 1978-97

	Mississippi Employment Change, 1978-97	Percent Change, Mississippi	Percent Change, U.S.	Mississippi Employment 1997	Percent of all Mississippi Jobs, 1997	Percent of all U.S. Jobs, 1997
Sectors with Greatest Job Growth *						
Health Services	51,685	150.7%	105.1%	85,979	6.0%	7.0%
State and Local Government	44,515	30.2%	33.2%	191,935	13.5%	10.7%
Business Services	41,042	288.2%	206.1%	55,284	3.9%	6.8%
Eating and Drinking Establishments	32,611	101.9%	75.0%	64,612	4.5%	5.3%
Amusement Services	24,314	539.1%	141.8%	28,824	2.0%	1.6%
Hotels and Other Lodging Places	16,940	175.5%	65.2%	26,593	1.9%	1.2%
General Merchandise Stores	14,508	71.0%	18.4%	34,952	2.5%	1.8%
Trucking and Warehousing	12,948	83.9%	41.6%	28,380	2.0%	1.5%
Food Stores	9,851	36.9%	49.6%	36,537	2.6%	2.4%
Furniture and Fixtures Manufacturing	8,951	48.8%	7.1%	27,290	1.9%	0.3%
Sectors with Greatest Job Loss						
Apparel Manufacturing	-18,040	-43.0%	-36.0%	23,885	1.7%	0.6%
Motor Vehicles /Transport. Equip. Manufacturing	-7,510	-26.3%	-8.3%	21,038	1.5%	1.2%
Military	-2,254	-5.9%	-11.6%	35,827	2.5%	1.4%
Federal, civilian	-1,968	-7.0%	-4.3%	26,140	1.8%	1.8%
Textile Manufacturing	-1,848	-28.4%	-32.1%	4,650	0.3%	0.4%

* *The top ten growth sectors account for 66% of job growth and 41% of all jobs in 1997.*

North Carolina

Transformed by the new economy

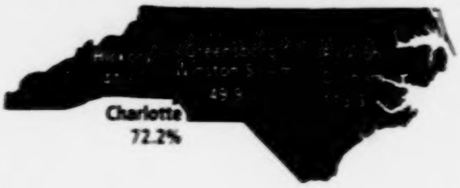
Once dominated by textiles, tobacco, and furniture manufacturing firms spread out across a landscape of small towns and cities, the North Carolina economy is driven increasingly by two new-economy cities — Charlotte, a national banking center, and Raleigh-Durham-Chapel Hill, a focal point for research and development.

From 1978 to 1997, North Carolina had job growth of more than 57 percent and population growth of nearly 30 percent, both well above national rates and matching the overall Southern rates. North Carolina gained more than 1.6 million jobs. Had it grown at the national rate, the state would have added only 1.25 million jobs over the two decades.

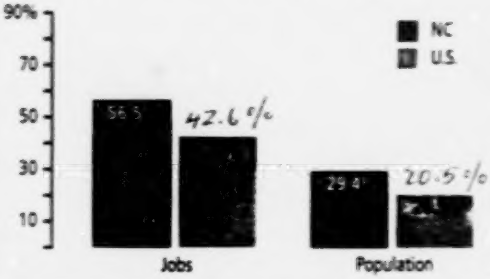
Its job growth having outrun population growth, North Carolina jumped from 51 jobs per 100 people in 1978 to 62 jobs per 100 in 1997. It now leads the South in jobs as a percentage of total population. Job growth and occupational shifts have raised North Carolinians' income, as the state's per capita income climbed from 82 percent of the national level in 1978 to almost 92 percent in 1997.

North Carolina serves as a prime example of the churning brought about by globalization and technological advances. Since 1978, jobs in textiles, apparel, and tobacco products declined by about one-third. At the same time, jobs grew in business services and health services at nearly double the national rates. Nevertheless, in 1997, North Carolina still had a larger share of its jobs in textiles, apparel, and furniture than the nation, while jobs in business and health services represented a somewhat smaller share of jobs in North Carolina than in the nation.

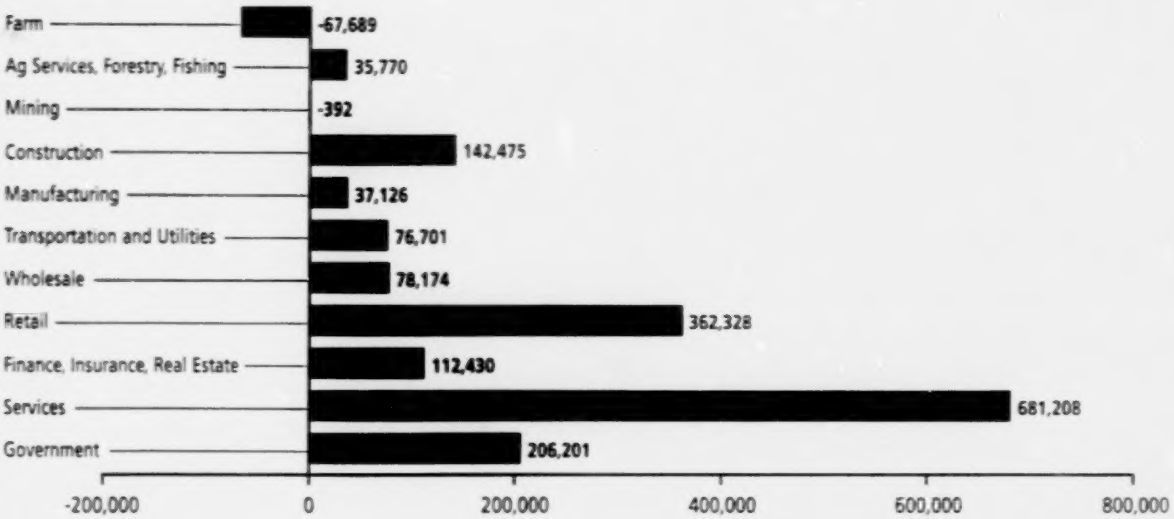
Job Growth, 1978-97



Job and Population Growth, 1978-97



Employment Change, 1978-97



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Manufacturing remains an important part of North Carolina's economy, and several manufacturing sectors grew in the state while declining nationally. They include industrial machinery, motor vehicles, chemicals, and food processing.

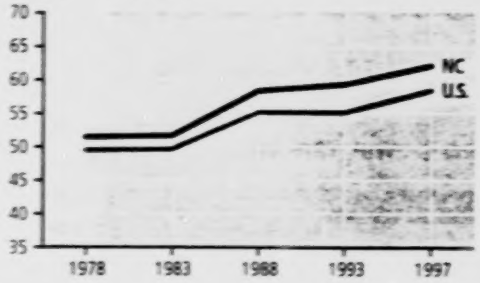
Eight of 10 jobs added since 1978 have come in metropolitan areas. Among the South's largest metro areas, the Research Triangle ranks fourth in rate of job growth and Charlotte ranks 11th.

Foreign investment has contributed to North Carolina's economic transformation. The number of foreign-owned businesses in the state jumped from about 200 to more than 1,000 in 20 years. About six percent of total private employment is in foreign-owned businesses.

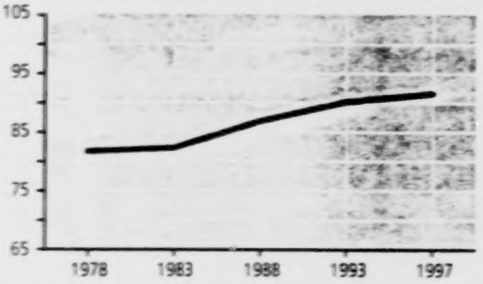
Despite its economic transformation, North Carolina's concentration of high-tech employment is just 24th among the states, with 39 high-tech workers per 1,000 private sector workers, which is below the U.S. average. It is also below the U.S. average in information sector jobs and professional, scientific, and technical jobs per 1,000. The state leads the South in R&D expenditure per capita ($629) but falls below the U.S. average of $789.

North Carolina faces the paradox of job shedding, mostly in rural places, and labor shortages in its major metro areas. The state finds itself having to respond on two fronts: bolstering its rural areas while preventing rapid growth from sapping the vitality of its new-economy engines.

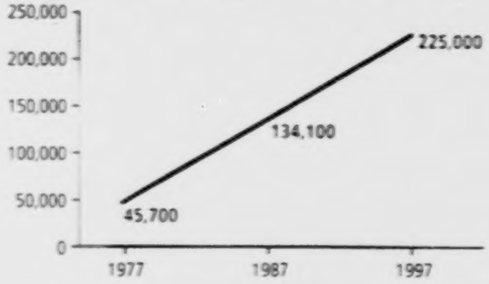
Jobs per 100 People



Per Capita Income: Percent of U.S.



Employment in Foreign-Owned Affiliates



Employment Sectors with Greatest Job Gains and Losses, 1978-97

	North Carolina Employment Change, 1978-97	Percent Change, North Carolina	Percent Change, U.S.	North Carolina Employment 1997	Percent of all North Carolina Jobs, 1997	Percent of all U.S. Jobs, 1997
Sectors with Greatest Job Growth *						
Business Services	**223,457**	**400.3%**	**206.1%**	**279,281**	**6.1%**	**6.8%**
State and Local Government	186,132	55.7%	33.2%	520,481	11.3%	10.7%
Health Services	**171,877**	**196.0%**	**105.1%**	**259,565**	**5.6%**	**7.0%**
Eating and Drinking Establishments	146,962	156.4%	75.0%	240,953	5.2%	5.3%
Food Stores	**56,383**	**90.9%**	**49.6%**	**118,407**	**2.6%**	**2.4%**
Social Services	47,899	212.6%	163.5%	70,430	1.5%	1.7%
Amusement Services	**36,188**	**213.7%**	**141.8%**	**53,120**	**1.2%**	**1.6%**
Personal Services	32,809	67.4%	67.8%	81,523	1.8%	1.9%
Industrial Machinery Manufacturing	**30,895**	**77.6%**	**-6.3%**	**70,718**	**1.5%**	**1.4%**
Trucking and Warehousing	27,394	53.2%	41.6%	78,885	1.7%	1.5%
Sectors with Job Loss						
Textile Manufacturing	**-80,711**	**-31.5%**	**-32.1%**	**175,839**	**3.8%**	**0.4%**
Apparel Manufacturing	34,874	39.9%	36.0%	52,538	1.1%	0.6%
Tobacco Products Manufacturing	**-9,504**	**-35.9%**	**-39.7%**	**16,972**	**0.4%**	**0.03%**
Furniture and Fixtures Manufacturing	-6,111	7.3%	7.1%	77,346	1.7%	0.3%

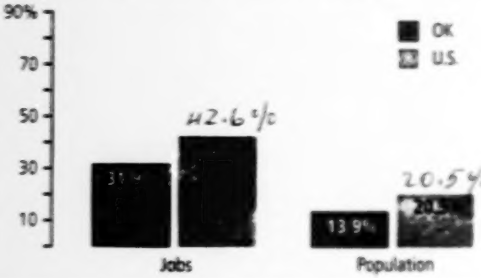
** The top ten growth sectors account for 52% of job growth and 38% of all jobs in 1997.*

Oklahoma

City jobs replacing oil

Job Growth, 1978-97

Job and Population Growth, 1978-97



Beginning in the early 1980s, Oklahoma experienced a precipitous decline in its oil drilling industry. And recently the state has turned to high-tech enterprises, especially in Tulsa, to stir the economic rejuvenation that Oklahoma needs.

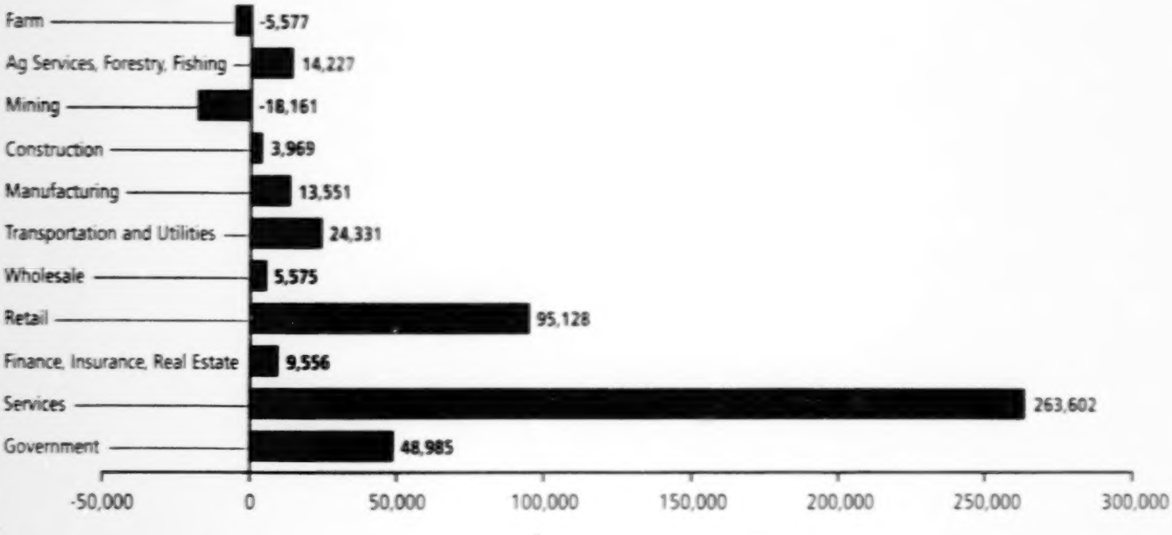
Between 1978 and 1997, Oklahoma trailed both the U.S. and the South in population and job growth. The state gained 455,000 jobs during this period — but it would have added 600,000 had its economy grown at the national rate.

Fueled largely by oil-industry wages, Oklahoma's per capita income was 93 percent of the U.S. level in 1983, but it plummeted to 80 percent in 1997. The state's employment in the mining sector (which includes oil and gas extraction) fell by nearly 25 percent in this two-decade period.

Despite its image as a state of wide-open space, the Oklahoma economy has become heavily dependent on its two major metropolitan areas. Oklahoma City accounted for four out of 10 jobs added in the state, while Tulsa produced three out of 10 jobs gained.

Oklahoma has gained a substantial number of jobs in services and retail trade. It added jobs at a somewhat faster pace than the nation in business services and health services and matched the national rate of growth in amusements. But the state's growth overall in services and retail did not keep pace with national growth.

Employment Change, 1978-97



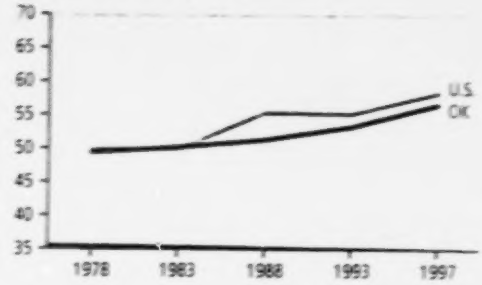
The state added a modest number of manufacturing jobs while such employment was declining nationally. And yet, Oklahoma lagged dramatically behind the nation in job growth in construction, finance, and wholesale trade.

Though Oklahoma trailed national growth rates in almost every major sector, the state has made gains in high-tech employment. Nationally, Oklahoma ranked 30th with 30 high-tech workers per 1,000 in the private sector. That ranking has Oklahoma ahead of half of the Southern states and ahead of several Midwestern industrial states — though Oklahoma still trails the U.S. in high-tech employment concentration.

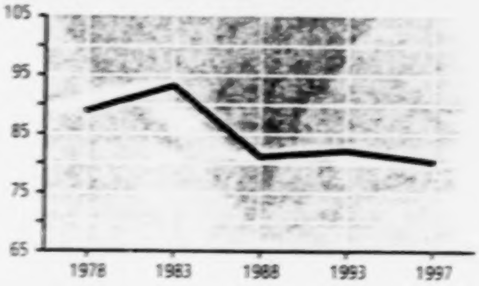
Foreign-direct investment has played a smaller role in shifting the economy of Oklahoma than in most Southern states. While the number of foreign-owned enterprises has increased from about 100 to 500, Oklahoma has the South's second-lowest percentage of employment in foreign-owned enterprises.

Trends over two decades suggest that Oklahoma must intensify its efforts to diversify its economy — by building on its strengths in high-tech employment — and it must nurture its growing metro areas.

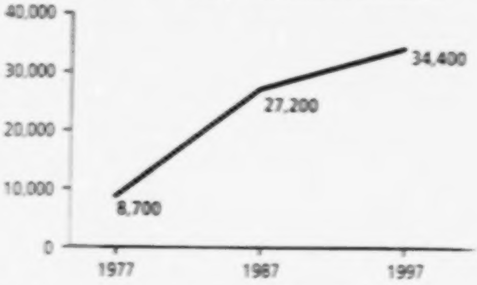
Jobs per 100 People



Per Capita Income: Percent of U.S.



Employment in Foreign-Owned Affiliates



Employment Sectors with Greatest Job Gains and Losses, 1978-97

	Oklahoma Employment Change, 1978-97	Percent Change, Oklahoma	Percent Change, U.S.	Oklahoma Employment 1997	Percent of all Oklahoma Jobs, 1997	Percent of all U.S. Jobs, 1997
Sectors with Greatest Job Growth *						
Business Services	**82,854**	**239.9%**	**206.1%**	**117,385**	**6.2%**	**6.8%**
Health Services	69,145	114.9%	105.1%	129,331	6.9%	7.0%
State and Local Government	**55,358**	**32.7%**	**33.2%**	**224,749**	**11.9%**	**10.7%**
Eating and Drinking Establishments	38,118	61.5%	75.0%	100,131	5.3%	5.3%
Social Services	**14,864**	**110.6%**	**163.5%**	**28,299**	**1.5%**	**1.7%**
Personal Services	13,975	51.4%	67.8%	41,150	2.2%	1.9%
Amusement Services	**12,289**	**141.5%**	**141.8%**	**20,977**	**1.1%**	**1.6%**
Educational Services	9,565	95.1%	92.4%	19,627	1.0%	1.8%
Trucking and Warehousing	**9,319**	**37.1%**	**41.6%**	**34,410**	**1.8%**	**1.5%**
Air Transportation	9,083	106.0%	176.3%	17,650	0.9%	0.7%
Sectors with Greatest Job Loss						
Apparel Manufacturing	**-5,205**	**-41.1%**	**-36.0%**	**7,474**	**0.4%**	**0.6%**
Federal, Civilian	-5,004	-10.2%	-4.3%	43,986	2.3%	1.8%
Petroleum and Coal Products Manufacturing	**-3,469**	**-42.6%**	**-31.7%**	**4,681**	**0.2%**	**0.1%**
Apparel and Accessory Stores	-2,213	14.6%	22.4%	12,919	0.7%	0.8%
Electronic Equipment Manufacturing	**-1,666**	**-12.1%**	**-14.8%**	**12,118**	**0.6%**	**1.1%**

* *The top ten growth sectors account for 63% of job growth and 39% of all jobs in 1997.*

South Carolina

Remaking its economy

For much of the 20th Century, South Carolina more nearly resembled the Deep South states than its Atlantic Coast neighbors. Lately, however, the state has joined in the economic surge along the seaboard.

Despite declines in the military presence around Charleston and in textiles along the I-85 corridor and elsewhere, South Carolina grew at a faster pace than the nation from 1978 to 1997, gaining 680,000 jobs. If it had grown only at the national rate, its job growth would have been 625,000.

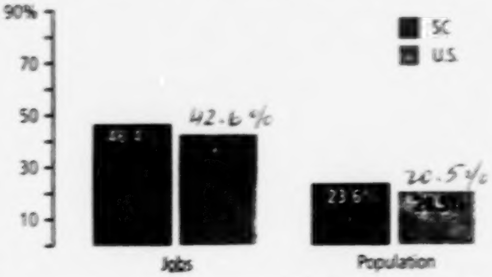
South Carolina still battles an unfavorable industry mix rooted in its history. It began this 20-year period with a high proportion of jobs in industries that downsized, especially textiles. The state's growth in the 80s and 90s was fueled by several manufacturing sectors that declined nationally but expanded in South Carolina — fabricated metals, industrial machinery, electronic equipment, and motor vehicles.

During this 20-year period, South Carolina's population increased by 719,000 — at a rate above U.S. growth but below the South's. While the state lost jobs in farming, textiles, apparel, and the military, population growth helped fuel an expansion in business and health services, retail trade, and local government employment.

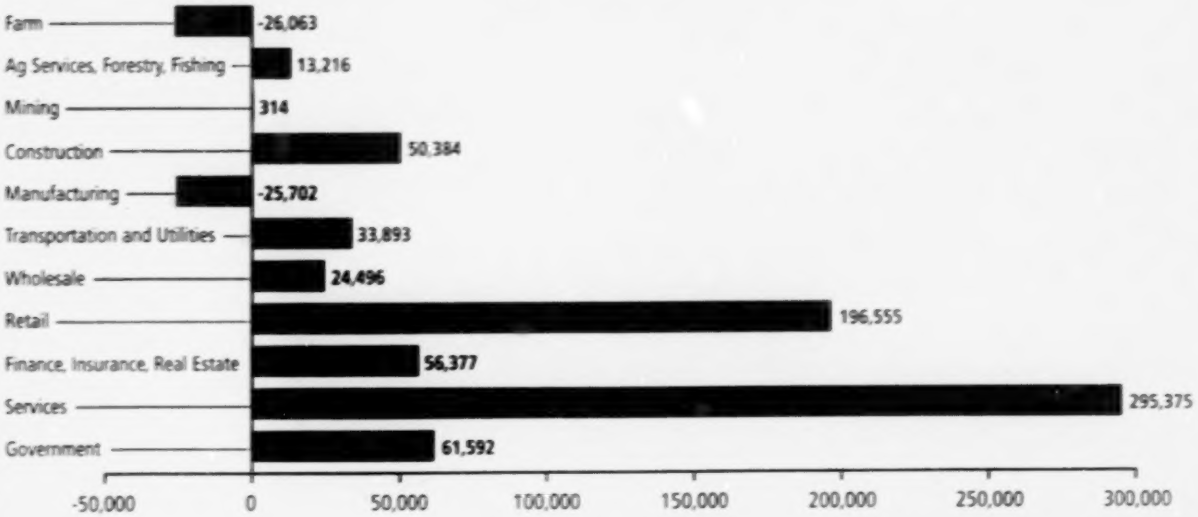
Every subsector of retail trade and services, except educational services, grew faster in South Carolina than in the U.S. By 1997, South Carolina exceeded the U.S. average in retail jobs per 100 people but still trailed the nation in business and health service jobs per 100 people.

Job Growth, 1978-97

Job and Population Growth, 1978-97



Employment Change, 1978-97



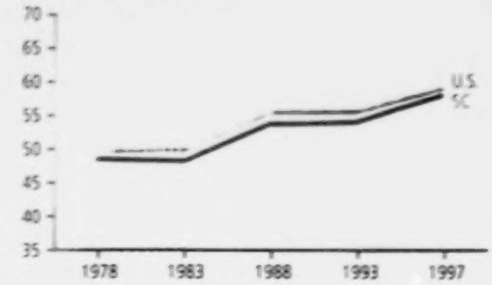
Foreign investment, aggressively sought by state leaders, has contributed to the remaking of the South Carolina economy. South Carolina leads the South with nearly 7 percent of its total private employment in foreign-owned concerns. And foreign-owned plants employ nearly one-fifth of the state's manufacturing workers.

The shifts in its economy have helped the state narrow the gap in per capita income with the rest of the nation. However, South Carolina's per capita income was at only 81 percent of the national level in 1997, an indication of how much the state's old-economy legacy remains. Moreover, South Carolina ranks 42nd among the states in high-tech jobs, with 20 high-tech workers per 1,000 private sector employees.

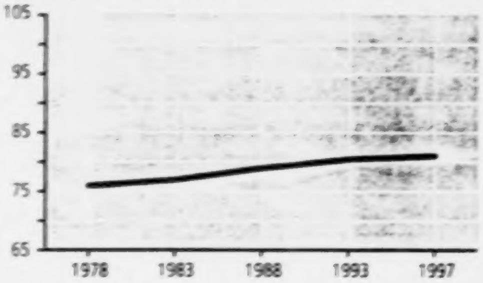
More than 80 percent of the state's job growth came in its metro areas — accounting for 574,000 jobs in contrast to only 106,000 jobs in rural areas. Greenville-Spartanburg accounted for more than one-fourth of the state's overall job growth. Still, the Columbia metropolitan area had a substantially stronger rate of job growth — 63 percent — than either Greenville-Spartanburg or Charleston, both at about 49 percent.

South Carolina is no longer as dependent on low-wage, low-skill production as it once was — manufacturing continues to decrease as a percentage of total employment, and durables manufacturing accounts for an increasing portion of all manufacturing jobs. While South Carolina has made significant strides in turning and revitalizing its economy, its industry mix remains a concern for the future.

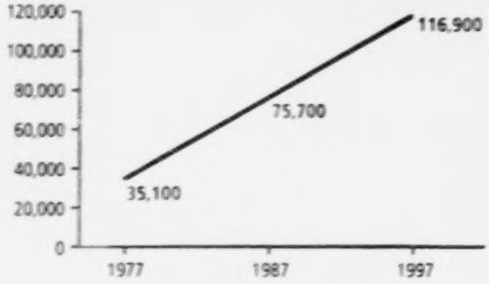
Jobs per 100 People



Per Capita Income: Percent of U.S.



Employment in Foreign-Owned Affiliates



Employment Sectors with Greatest Job Gains and Losses, 1978-97

	South Carolina Employment Change, 1978-97	Percent Change, South Carolina	Percent Change, U.S.	South Carolina Employment 1997	Percent of all South Carolina Jobs, 1997	Percent of all U.S. Jobs, 1997
Sectors with Greatest Job Growth *						
Business Services	101,751	420.2%	206.1%	125,966	5.9%	6.8%
State and Local Government	97,177	55.1%	33.2%	273,459	12.7%	10.7%
Eating and Drinking Establishments	85,064	184.2%	75.0%	131,232	6.1%	5.3%
Health Services	56,673	156.9%	105.1%	92,785	4.3%	7.0%
Food Stores	33,944	94.1%	49.6%	70,035	3.3%	2.4%
Amusement Services	20,608	239.7%	141.8%	29,207	1.4%	1.6%
Social Services	19,970	201.6%	163.5%	29,877	1.4%	1.7%
Personal Services	16,535	73.1%	67.8%	39,165	1.8%	1.9%
Trucking and Warehousing	15,076	86.1%	41.6%	32,584	1.5%	1.5%
Motor Vehicles/Transport. Equip. Manufacturing	14,861	177.6%	-8.3%	18,797	0.9%	1.2%
Sectors with Greatest Job Loss						
Textile Manufacturing	-64,271	-44.5%	-32.1%	80,317	3.7%	0.4%
Military	-28,342	33.3%	-11.6%	56,661	2.6%	1.4%
Apparel Manufacturing	-22,494	-46.1%	-36.0%	26,281	1.2%	0.6%
Federal, Civilian	-7,243	20.2%	-4.3%	28,546	1.3%	1.8%
Lumber and Wood Products Manufacturing	-1,331	-7.2%	10.9%	17,232	0.8%	0.6%

** The top ten growth sectors account for 56% of job growth and 39% of all jobs in 1997.*

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Tennessee

Much more than country music

A scan of the Tennessee landscape suggests a diversified economy: TVA and Oak Ridge, both government-led investments, in the east; Japanese and General Motors auto plants, a hospital-chain headquarters, and the recording industry in and around Nashville; Holiday Inn and Federal Express born in Memphis.

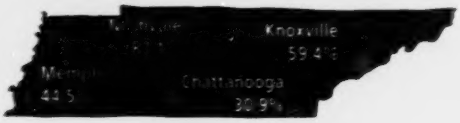
While Tennessee has indeed grown and diversified, the state still battles a historically unfavorable industry mix. Like most Southern states, it has a concentration of jobs in declining manufacturing sectors.

From 1978 to 1997, Tennessee's employment grew faster than its population. While jobs increased by 48 percent, population grew by 20 percent — a rate matching the nation but 10 percentage points below the South. Tennessee gained slightly more than a million jobs, somewhat ahead of the national rate.

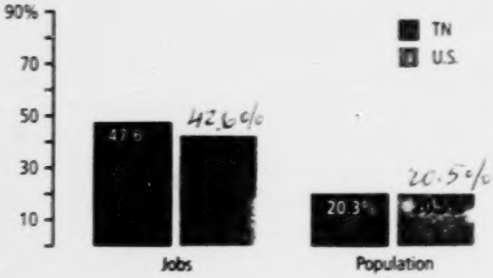
Because it added jobs at a faster clip than it gained population, Tennessee made a substantial improvement in its jobs per 100 people — jumping from 50 per 100 in 1978 to more than 61 per 100 in 1997. Simultaneously, it narrowed the per capita income gap with the nation — going from 83 percent of national per capita income in 1978 to 90 percent in 1997.

In 1978, Tennessee had a high proportion of jobs in sectors that declined over the next two decades. These included farming, textiles, apparel, and chemical manufacturing. Even after job-shedding, the state still had a high proportion of jobs in these sectors relative to the rest of the country in 1997. Meanwhile, the state gained jobs in durable-goods

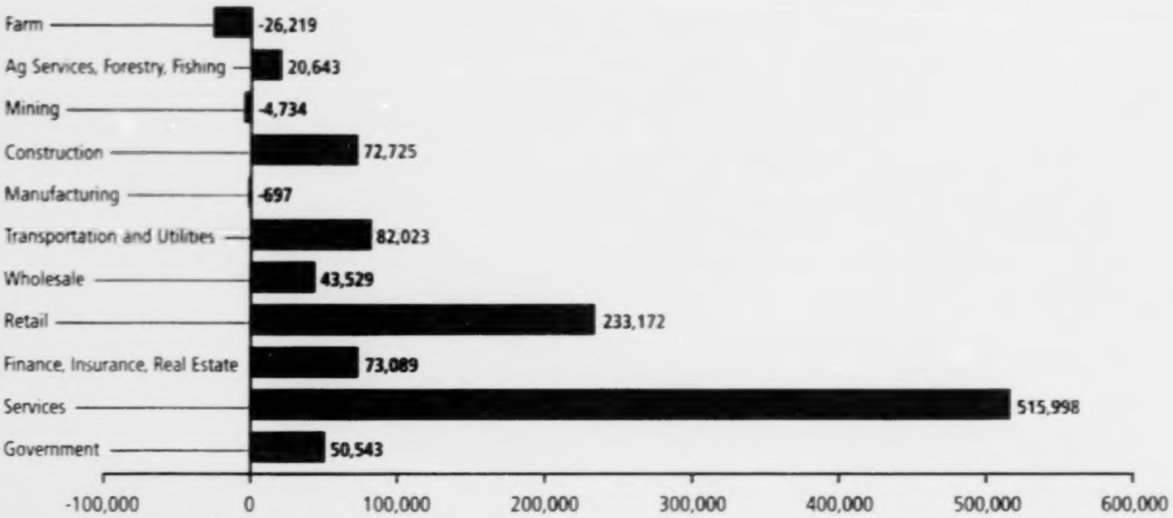
Job Growth, 1978-97



Job and Population Growth, 1978-97



Employment Change, 1978-97



manufacturing industries that were losing jobs outside the South, including motor vehicles, industrial machinery, and fabricated metals.

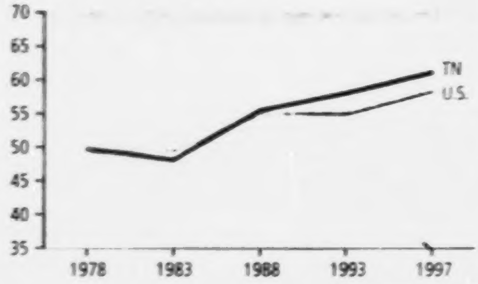
Tennessee exceeded national growth rates in services and retail trade. Now, the state has a higher percentage of jobs in retail than the nation, but it still has a lower share of jobs in most service sectors, including business and health services. Tennessee also grew faster than the U.S. in finance, and in utilities and transportation. Trucking and air transportation each added over 30,000 jobs.

Foreign investment has contributed to reshaping the Tennessee economy. The state has gone from fewer than 200 to 800 foreign-owned enterprises in 20 years. These firms employ 150,000 Tennesseans, more than 5 percent of all private sector workers.

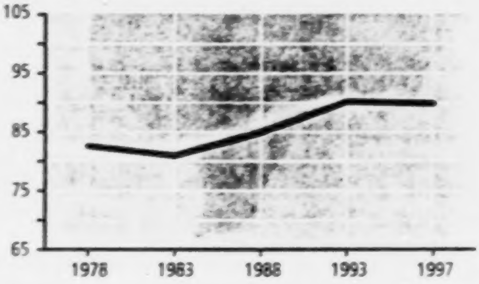
Tennessee's metro areas accounted for nearly eight out of 10 jobs gained since 1978. Nashville led the way, with a job-growth rate of 83 percent. Despite growth and diversification in its metro areas, Tennessee ranks 43rd among the states in high-tech jobs. It is also below the U.S. average in information sector jobs and professional, scientific, and technical jobs per 1,000 private sector workers.

More than other inland South states, Tennessee has produced job growth and economic diversification. Still, its widespread dependency on old-economy enterprises continues to exert a drag on the state. Tennessee cannot rest comfortably on its recent growth as the new economy marches swiftly onward.

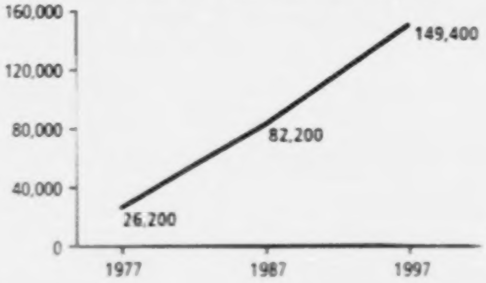
Jobs per 100 People



Per Capita Income: Percent of U.S.



Employment in Foreign-Owned Affiliates



Employment Sectors with Greatest Job Gains and Losses, 1978-97

	Tennessee Employment Change, 1978-97	Percent Change, Tennessee	Percent Change, U.S.	Tennessee Employment 1997	Percent of all Tennessee Jobs, 1997	Percent of all U.S. Jobs, 1997
Sectors with Greatest Job Growth *						
Business Services	155,743	324.4%	206.1%	203,747	6.2%	6.8%
Health Services	134,945	153.2%	105.1%	223,029	6.8%	7.0%
Eating and Drinking Establishments	94,153	118.3%	75.0%	173,765	5.3%	5.3%
State and Local Government	77,621	31.6%	33.2%	323,189	9.8%	10.7%
Air Transportation	37,553	624.4%	176.3%	43,567	1.3%	0.7%
Trucking and Warehousing	32,782	75.6%	41.6%	76,135	2.3%	1.5%
Motor Vehicles/Transport. Equip. Manufacturing	28,793	116.2%	-8.3%	53,566	1.6%	1.2%
General Merchandise Stores	26,589	61.9%	18.4%	69,546	2.1%	1.8%
Food Stores	26,067	50.2%	49.6%	78,027	2.4%	2.4%
Amusement Services	25,782	141.5%	141.8%	44,006	1.3%	1.6%
Sectors with Greatest Job Loss						
Apparel Manufacturing	-32,059	-44.9%	-36.0%	39,405	1.2%	0.6%
Chemicals and Allied Products Manufacturing	23,029	38.9%	-5.7%	36,252	1.1%	0.7%
Federal, Civilian	-19,205	-27.3%	-4.3%	51,152	1.6%	1.8%
Textile Manufacturing	10,420	35.9%	-32.1%	18,606	0.6%	0.4%
Military	-7,873	-24.0%	-11.6%	24,966	0.8%	1.4%

** The top ten growth sectors account for 53% of job growth and 39% of all jobs in 1997.*

Texas

Powerhouse with great potential

If Texas were a country today, its economy would rank 11th in the world. Its 1998 gross product placed Texas below Brazil and just ahead of Canada and Spain. Texas has a diverse, dynamic economy that still has not risen to its full potential.

Between 1978 and 1997, the Texas economy grew at a faster clip than the nation as a whole, gaining 4.3 million jobs. Had Texas grown at the national rate, it would have gained 1.3 million fewer jobs.

In the mid-90s, Texas passed New York in population and became the nation's second-most-populous state. Over the past two decades, its population growth of 44 percent exceeded both U.S. and Southern rates. In the 1990s, Texas gained as many new residents through foreign immigration as it did through migration from other states.

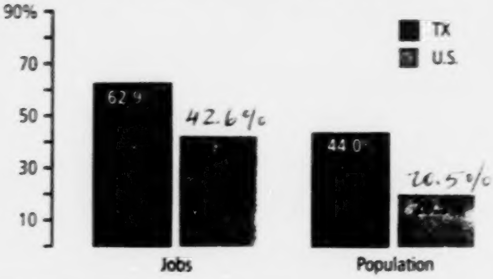
Fueled by investment in its universities, Texas is home to the headquarters and major facilities of personal computer and telecommunications businesses, of the airlines industry, of the space program, of defense contractors and medical technology and biotech industries. In high-tech jobs, Texas ranks 11th among the states with 53.5 high-tech workers per 1,000 private sector employees, well above the national rate. Yet research and development expenditure per capita, at $488, lags the U.S. average of $789.

More than half of the 20-year job growth in Texas stemmed from a huge expansion of services and retail trade. Of the nearly 1.9 million jobs gained in services, more than one million came in business and health services, which grew faster in Texas than in the nation.

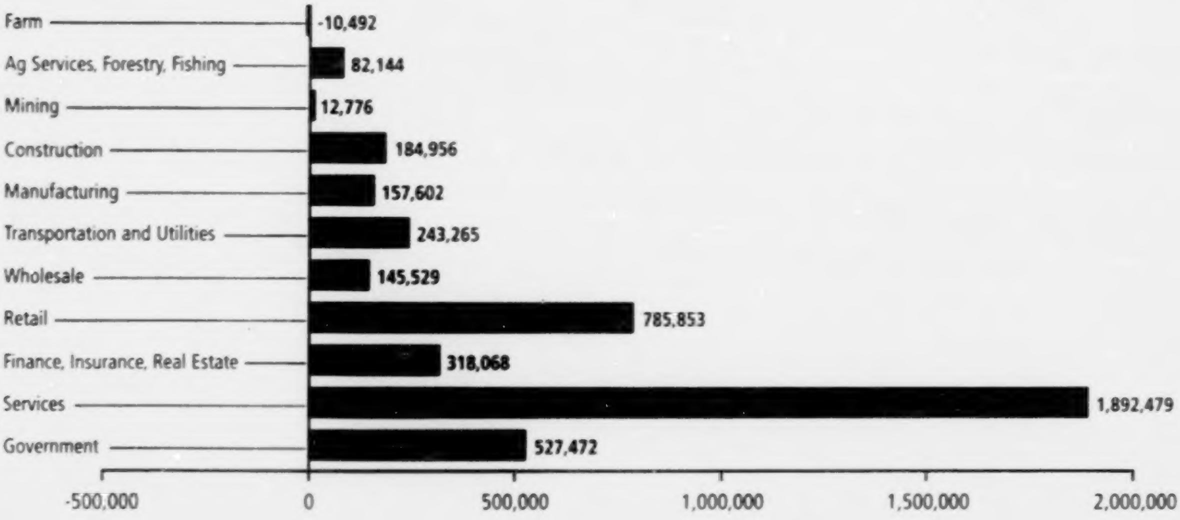
Job Growth, 1978-97

El Paso
54.2
Fort Worth
San Antonio
76.8
Houston
Galveston
59.4

Job and Population Growth, 1978-97



Employment Change, 1978-97



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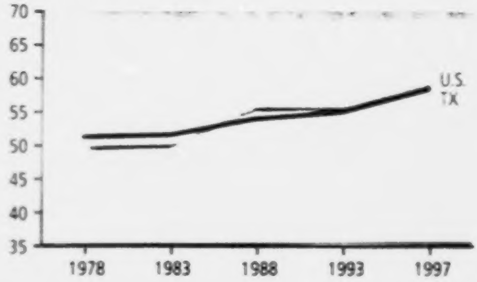
Despite the growth and diversification of the Texas economy, the state's per capita income was farther behind the national level in 1997 than it was in 1978. The state's per capita income as a percent of the U.S. peaked in 1983 at nearly 99 percent, then fell to 89 percent in 1988 and has since only partially recovered.

The number of foreign-owned enterprises in Texas jumped from more than 700 in 1977 to more than 1,800 in 1997. The assets of foreign-owned affiliates in Texas amounted to $78 billion in 1997, far more than any other Southern state. More than 350,000 Texas jobs are in foreign-owned enterprises.

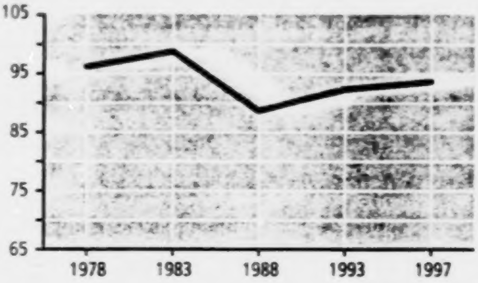
Despite its reputation as a state of wide-open spaces, the Texas economy has become increasingly dependent on its major metropolitan areas. While jobs in rural areas grew by 28 percent since 1978, metro jobs grew by 70 percent. The four biggest metro areas — Houston, Dallas-Fort Worth, San Antonio, and Austin — produced 64 percent of the state's new jobs in the past two decades.

One hundred years after the discovery of oil at Spindletop, the Texas economy has diversified well beyond cotton-growing and cattle-ranching, oil-drilling and refining. Having become a strong player in the global economy, Texas now faces the challenge of connecting more of its people, especially through education and training, to the new economy.

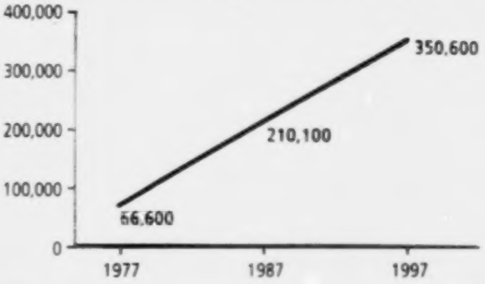
Jobs per 100 People



Per Capita Income: Percent of U.S.



Employment in Foreign-Owned Affiliates



Employment Sectors with Greatest Job Gains and Losses, 1978-97

	Texas Employment Change, 1978-97	Percent Change, Texas	Percent Change, U.S.	Texas Employment 1997	Percent of all Texas Jobs, 1997	Percent of all U.S. Jobs, 1997
Sectors with Greatest Job Growth *						
Business Services	576,912	267.8%	206.1%	792,304	7.1%	6.8%
State and Local Government	523,188	69.3%	33.2%	1,277,726	11.4%	10.7%
Health Services	471,284	166.4%	105.1%	754,488	6.7%	7.0%
Eating and Drinking Establishments	329,513	118.6%	75.0%	607,300	5.4%	5.3%
Food Stores	103,083	61.4%	49.6%	271,074	2.4%	2.4%
Amusement Services	90,802	182.4%	141.8%	140,592	1.3%	1.6%
Personal Services	85,404	68.7%	67.8%	209,706	1.9%	1.9%
Air Transportation	76,760	250.6%	176.3%	107,395	1.0%	0.7%
Educational Services	76,341	159.9%	92.4%	124,079	1.1%	1.8%
Social Services	75,373	140.5%	163.5%	129,035	1.1%	1.7%
Sectors with Job Loss						
Military	-17,318	-9.3%	-11.6%	169,744	1.5%	1.4%
Petroleum and Coal Products Manufacturing	-17,182	39.7%	-31.7%	26,130	0.2%	0.1%
Apparel Manufacturing	-12,126	-16.0%	-36.0%	63,915	0.6%	0.6%
Textile Manufacturing	-2,452	38.1%	32.1%	3,991	0.04%	0.4%

** The top ten growth sectors account for 55% of job growth and 39% of all jobs in 1997.*

Virginia

New-economy suburbs

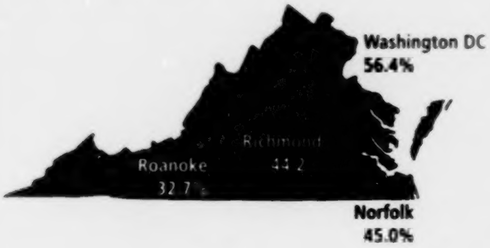
The federal government isn't usually described as a new-economy enterprise. But federal agencies in and around Washington, DC, attract knowledge workers brimming with ideas, energy, and spending power. This combination has spawned countless new businesses, including a large cluster of telecommunications, Internet, IT, software, and related firms. As a result, Northern Virginia's sprawling suburbs have acted as a kind of new-economy city, driving job growth in the state.

From 1978 to 1997, Virginia had job growth of 53 percent and population growth of 27 percent. In both, Virginia exceeded the national rate, but was slightly below overall Southern growth. In this 20-year period, Virginia added 1.4 million jobs. Had it grown at the national rate, the state would have gained about 300,000 fewer jobs.

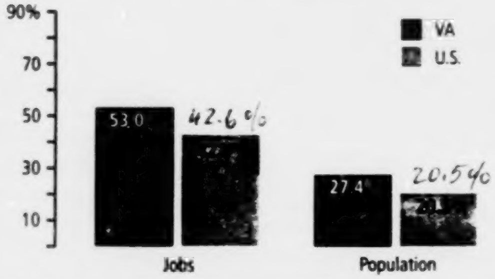
With the growth of high-wage jobs, Virginia's per capita income has risen from 96 percent of the U.S. level in 1978 to 103 percent in 1997. Virginia is the only Southern state with a higher-than-national per capita income. And it has consistently surpassed the U.S. in jobs per 100 people over the two decades.

Moreover, Virginia ranks first among Southern states in its concentration of new-economy jobs. With nearly 60 high-tech workers per 1,000 private sector workers, Virginia ranks 6th in the nation. It ranks well above the national average on other indicators as well, with over 50 professional, scientific, and technical jobs per 1,000 (U.S. average is 33); 22 information sector jobs per 1,000; and core information technology jobs projected to double between 1996 and 2006.

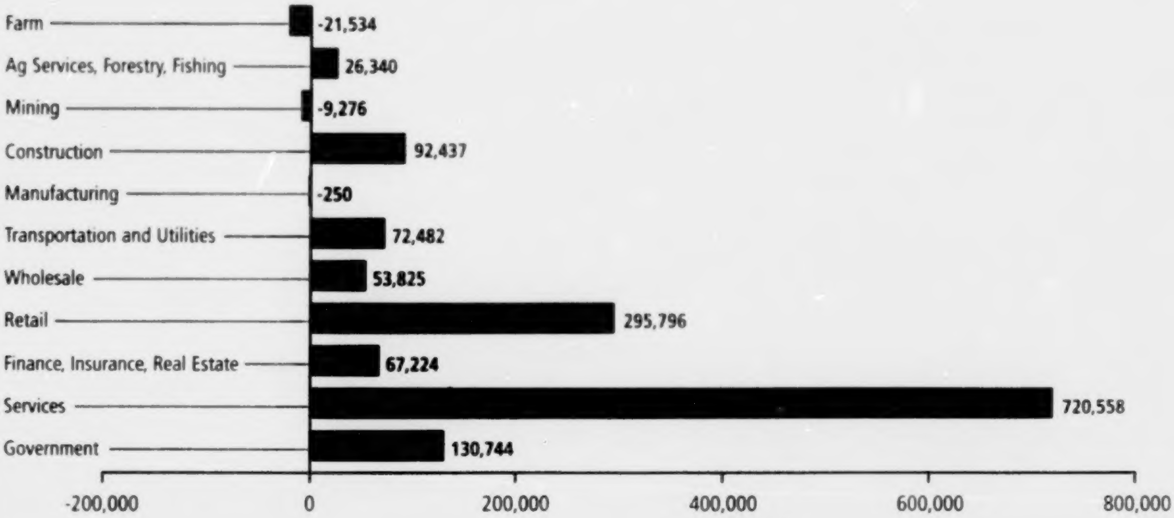
Job Growth, 1978-97



Job and Population Growth, 1978-97



Employment Change, 1978-97



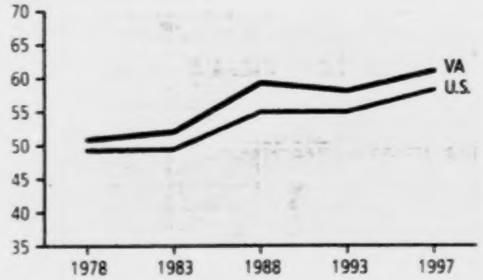
Of course, Northern Virginia is not the only driver of state job growth. The metropolitan areas of both Richmond and Norfolk had employment increases of more than 40 percent since 1978. Nearly nine out of 10 jobs gained in Virginia went to metropolitan areas, suggesting a widening gap between the state's metro and rural areas.

Virginia experienced major job losses in textiles and apparel, chemical manufacturing, furniture making, and tobacco products. Meanwhile, the state had higher-than-national growth in services, retail and wholesale, and transportation and utilities. Virginia has a higher percentage of jobs in communications and business services than the national average, but it falls behind the nation in most other service sectors, especially health services.

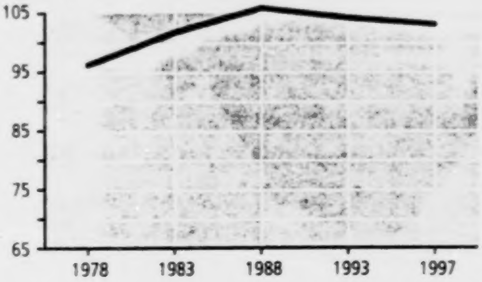
Foreign investment has played an increasingly important role in the Virginia economy. From 1977 to 1997, the number of foreign-owned enterprises jumped from about 200 to 900, and 143,000 Virginians — more than 4 percent of private sector employees — work in foreign-owned businesses.

Virginia has the stable asset of proximity to the seat of national government, though the state must strive to provide its Northern suburbs with the transportation infrastructure, education improvements, and amenities crucial to keeping them healthy. Outside of those suburbs, Virginia must further diversify its economy and extend the reach of the new economy into other sections of the state, especially its rural regions.

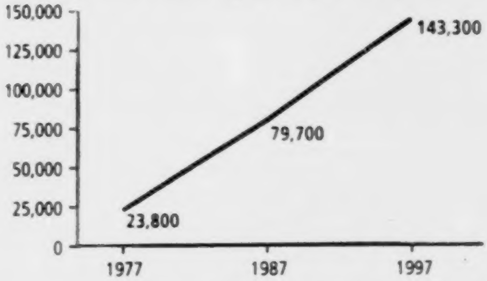
Jobs per 100 People



Per Capita Income: Percent of U.S.



Employment in Foreign-Owned Affiliates



Employment Sectors with Greatest Job Gains and Losses, 1978-97

	Virginia Employment Change, 1978-97	Percent Change, Virginia	Percent Change, U.S.	Virginia Employment 1997	Percent of all Virginia Jobs, 1997	Percent of all U.S. Jobs, 1997
Sectors with Greatest Job Growth *						
Business Services	**227,895**	**263.7%**	**206.1%**	**314,304**	**7.6%**	**6.8%**
State and Local Government	130,616	42.0%	33.2%	441,873	10.7%	10.7%
Health Services	**127,110**	**119.7%**	**105.1%**	**233,337**	**5.7%**	**7.0%**
Eating and Drinking Establishments	113,576	123.9%	75.0%	205,214	5.0%	5.3%
Food Stores	**41,842**	**75.1%**	**49.6%**	**97,572**	**2.4%**	**2.4%**
Social Services	36,933	191.4%	163.5%	56,229	1.4%	1.7%
Amusement Services	**33,480**	**167.9%**	**141.8%**	**53,425**	**1.3%**	**1.6%**
Personal Services	33,361	79.8%	67.8%	75,170	1.8%	1.9%
Educational Services	**31,498**	**119.6%**	**92.4%**	**57,826**	**1.4%**	**1.8%**
Communications	25,068	94.9%	26.8%	51,476	1.2%	1.0%
Sectors with Greatest Job Loss						
Apparel Manufacturing	**-16,546**	**-46.3%**	**-36.0%**	**19,162**	**0.5%**	**0.6%**
Chemicals and Allied Products Manufacturing	-11,927	-35.2%	-5.7%	21,977	0.5%	0.7%
Textile Manufacturing	**-10,697**	**-23.3%**	**-32.1%**	**35,269**	**0.9%**	**0.4%**
Furniture and Fixtures Manufacturing	-6,480	23.1%	7.1%	21,606	0.5%	0.3%
Tobacco Products Manufacturing	**-6,389**	**-40.2%**	**-39.7%**	**9,489**	**0.2%**	**0.03%**

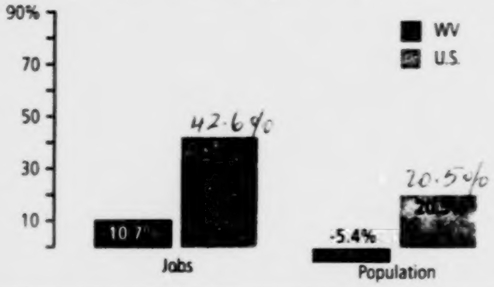
* *The top ten growth sectors account for 53% of job growth and 39% of all jobs in 1997.*

West Virginia

Behind the curve

Job Growth, 1978-97

Job and Population Growth, 1978-97



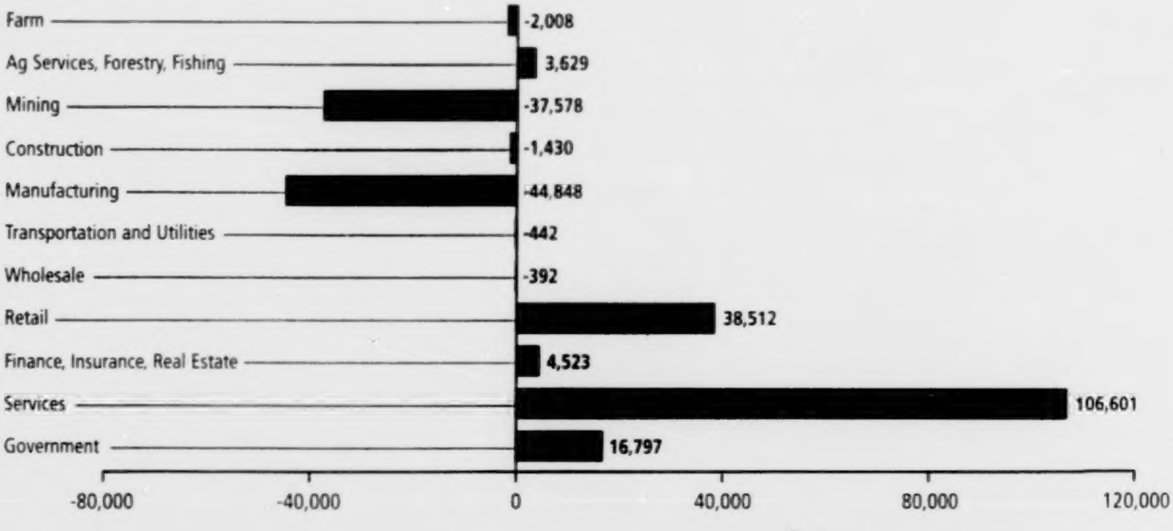
Defined culturally as well as geographically by ancient, rolling hills, West Virginia long depended economically on the coal within its mountains. As the new economy burgeoned, hardly any other Southern state struggled with as unfavorable an industry mix as West Virginia.

Between 1978 and 1997, West Virginia's population fell by nearly 105,000, a decline of 5 percent. Virtually all this loss occurred in the 1980s, when the state's economy bottomed out and residents sought opportunity elsewhere. In the 90s, West Virginia's population has stabilized and grown slightly.

West Virginia gained 83,000 jobs in the 20-year period. That's an increase of 11 percent — 32 percentage points below the U.S. job-growth rate. Had its economy grown at the U.S. rate, the state would have gained nearly 333,000 jobs. Jobs, like population, declined in the early 1980s and then increased slowly but steadily in the 90s. The state's 48 jobs per 100 people in 1997 was a modest improvement over 1978, but it lagged well behind the U.S. rate of more than 58 jobs per 100 in 1997.

Fifty years ago, more than one out of five West Virginians were employed in coal mining. Many West Virginians also found work in chemical plants and steel mills. These deep roots in the old economy created a drag on the state's growth — jobs in all three sectors plummeted in the 80s and 90s. From 1978 to 1997, West Virginia lost nearly 45,000 manufacturing jobs and more than 37,000 mining jobs. In both mining and manufacturing, the state's job-loss rate was greater than the national rate of decline.

Employment Change, 1978-97



Meanwhile, West Virginia had substantial growth in services — especially social services, which grew at nearly twice the U.S. rate. And although state and local government grew more slowly in West Virginia than in other states, it was a major source of new jobs. And several new federal installations provided a number of jobs; federal jobs increased by 5,000 over the 20 years, with virtually all the increase occurring in the 1990s.

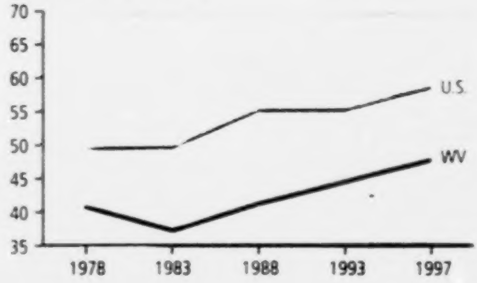
Along with slow job growth and only marginal progress in improving its business mix, the gap between West Virginia and the U.S. in per capita income was wider in 1997 than in 1979. And West Virginia ranks in the bottom 10 states in employment concentration of high-tech workers, who tend to have better earnings than workers in the state's traditional occupations.

In the late 1970s, there was hardly any foreign investment in West Virginia. Now the state has more than 300 foreign-owned enterprises. About one out of six West Virginians employed in manufacturing works in a plant with foreign ownership.

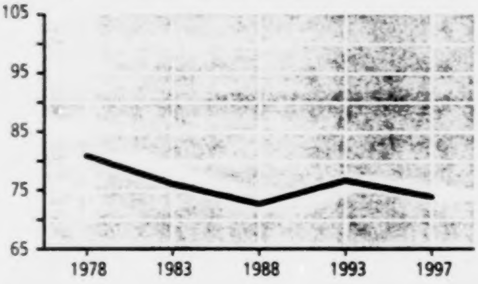
Unlike most states, West Virginia did not have substantially more job growth in urban than rural areas. About half of the state's job growth came in metro areas and half in nonmetro areas.

Without a major metropolitan area to power job growth, West Virginia needs to work on making its capital, Charleston, a stronger economic engine. It can also continue building on its proximity to the burgeoning Washington, DC, metro area and developing tourism to revitalize its rural economy.

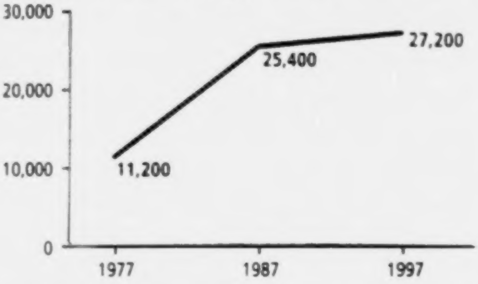
Jobs per 100 People



Per Capita Income: Percent of U.S.



Employment in Foreign-Owned Affiliates



Employment Sectors with Greatest Job Gains and Losses, 1978-97

	West Virginia Employment Change, 1978-97	Percent Change, West Virginia	Percent Change, U.S.	West Virginia Employment 1997	Percent of all West Virginia Jobs, 1997	Percent of all U.S. Jobs, 1997
Sectors with Greatest Job Growth *						
Health Services	**37,220**	**101.0%**	**105.1%**	**74,059**	**8.6%**	**7.0%**
Business Services	24,367	212.2%	206.1%	35,851	4.1%	6.8%
Eating and Drinking Establishments	**20,603**	**77.8%**	**75.0%**	**47,075**	**5.4%**	**5.3%**
Social Services	14,623	325.4%	163.5%	19,117	2.2%	1.7%
State and Local Government	**9,101**	**8.4%**	**33.2%**	**117,180**	**13.6%**	**10.7%**
Educational Services	5,887	117.1%	92.4%	10,915	1.3%	1.8%
Food Stores	**5,642**	**28.2%**	**49.6%**	**25,652**	**3.0%**	**2.4%**
Federal, Civilian	5,219	33.5%	-4.3%	20,813	2.4%	1.8%
Lumber and Wood Products Manufacturing	**4,988**	**69.4%**	**10.9%**	**12,171**	**1.4%**	**0.6%**
Amusement Services	3,719	60.5%	141.8%	9,867	1.1%	1.6%
Sectors with Greatest Job Loss						
Chemicals and Allied Products Manufacturing	**-11,147**	**-42.5%**	**-5.7%**	**15,114**	**1.7%**	**0.7%**
Apparel Manufacturing	-4,087	68.6%	-36.0%	1,867	0.2%	0.6%
Electronic Equipment Manufacturing	**-2,384**	**-54.9%**	**-14.8%**	**1,959**	**0.2%**	**1.1%**
Industrial Machinery Manufacturing	-2,196	27.1%	-6.3%	5,917	0.7%	1.4%
Fabricated Metals Manufacturing	**-1,864**	**-22.8%**	**-10.1%**	**6,301**	**0.7%**	**1.0%**

** The top ten growth sectors account for 71% of job growth and 43% of all jobs in 1997.*

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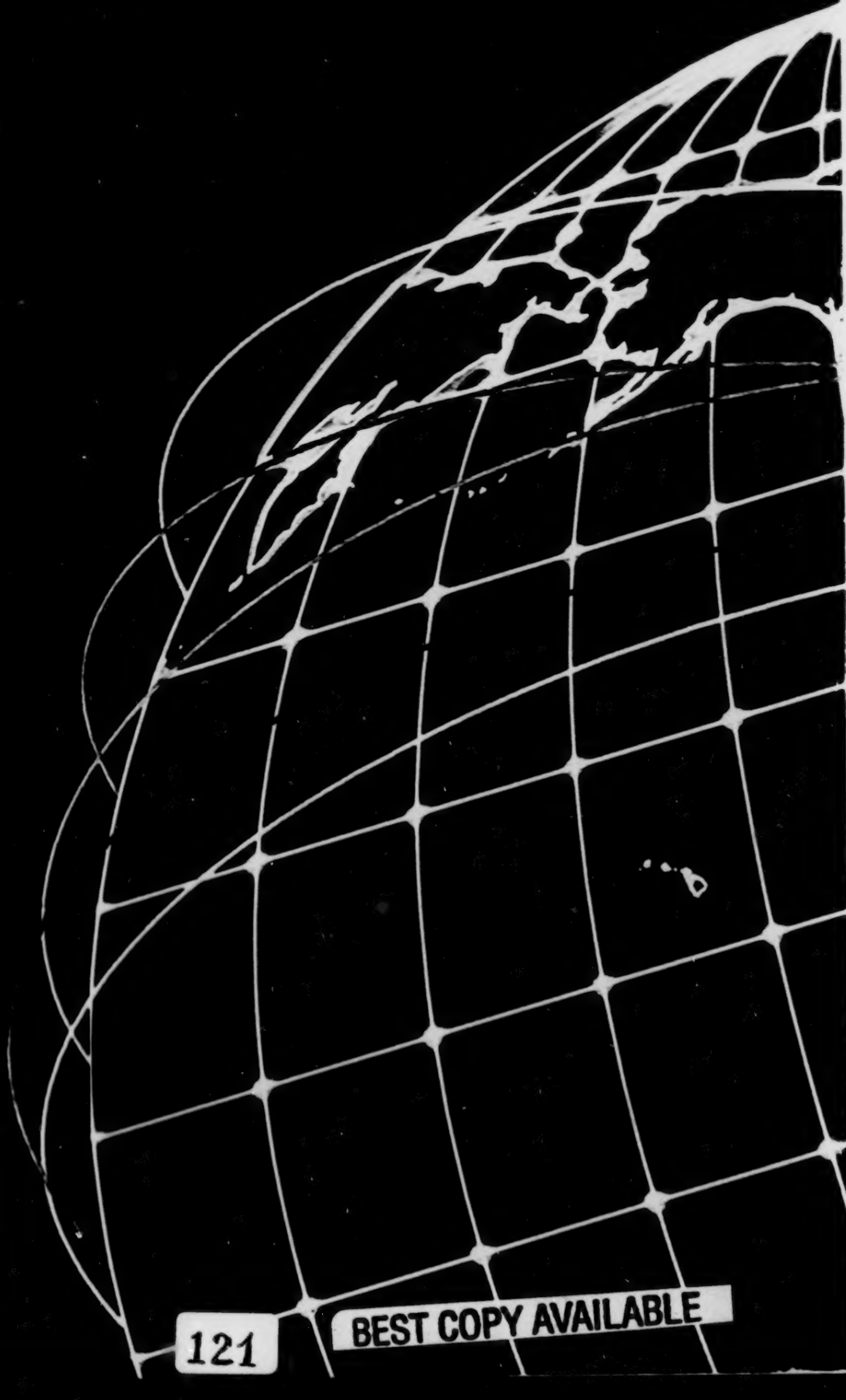

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